

# CORPORATE RESPONSIBILITY INTERIM REPORT 2009



THIS REPORT IS DESIGNED FOR ONSCREEN READING

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# CHIEF EXECUTIVE OFFICER'S MESSAGE



This is a time when we have to exceed community expectations by providing flexible, fast and helpful assistance to individual and small business customers facing hardship, while playing our role in encouraging and supporting economic growth.

I believe we are in a time when demonstrating a strong sense of responsibility is more important than ever. After the issues the world has experienced in the last year, the new game requires even greater acceptance by banks of the duties they have to their customers, shareholders and staff and the critical role they play in the economy and the countries and communities in which they operate.

Our financial results show we have performed creditably over the past six months, however, the economic slowdown continues to have a real impact on credit loss levels particularly in Australia and New Zealand.

While we are maintaining a strong balance sheet which has allowed us to continue supporting our customers, we know that some customers, and communities more generally, are feeling the effects of deteriorating economic conditions and rising unemployment.

In a practical sense, we have to exceed community expectations by providing flexible, fast and helpful assistance to those customers and small businesses facing hardship, while

playing our role in encouraging and supporting economic growth.

We also remain focused on our strategy to become a major financial services organisation in the Asia Pacific region and intend to emerge from this period an even more resilient, responsible and successful bank.

Some of the critical organisational and governance foundations required to achieve this ambition were put in place over the past six months. Specifically we have:

- restructured our business to improve our focus on customers, key markets and efficiency;
- introduced a comprehensive organisation-wide framework for identifying and responding to reputation risks; and
- developed a global brand, values and code of conduct to ensure interactions with all our stakeholders are consistent, responsible and ethical wherever we operate.

This hasn't been achieved without difficult decisions. The restructure of the business late

last year resulted in over 1,000 Australian and 200 New Zealand, mainly executive and management level staff, leaving ANZ. This has not been an easy time, particularly when the pace of change is necessarily fast. During this period of change, we have continued to provide support for affected individuals and teams, while looking ahead and ensuring all employees understand the important role they play in our future.

The generosity and energy of our staff in the aftermath of the devastating Victorian bushfires in February was a great source of pride and inspiration for me. This community spirit was visible in immediate on-the-ground assistance provided by our branch staff in affected regions and in the money raised by teams in Australia and internationally for those who lost their homes, livelihoods and loved ones.

Over \$2.5 million in total was raised by ANZ and its people for the Red Cross Bushfire Appeal. In addition, our customers donated \$12 million via our website and branches.

In conclusion, I recommend to you our Interim Corporate Responsibility Report describing the

solid progress we have made in responding to the social, environmental and governance risks and opportunities facing our business in particularly challenging times.

We welcome your views on the Report, our progress and the issues that matter most to you.

**Michael Smith**  
Chief Executive Officer

We are developing a new strategy for Corporate Responsibility at ANZ. Internal and external stakeholder engagement is underway and progress will be reported via our CR newsletter and annual CR report. We welcome your comments and feedback on this process.

# FLEXIBLE SUPPORT FOR CUSTOMERS IN NEED

## KEY POINTS:

- Greater levels of support for retail customers facing financial difficulty
- National 'check-in' with business customers to better understand the pressures they are facing
- \$8 billion in lending available to help small businesses manage through tough economic environment

ANZ has significantly invested to improve the support we provide customers experiencing temporary financial difficulty. Our priority is to be flexible and responsive to their changing circumstances, particularly during the current economic downturn.

"These are uncertain times for a lot of people and many are feeling financial pressure through no fault of their own," says ANZ CEO Australia, Brian Hartzler.

"We want our customers to know they will not lose their homes or cars just because they are facing difficulties that may only last a few months. These flexible arrangements can be put in place quickly and efficiently to support them through tougher times."

Customers who are finding it hard to make repayments on their home loan, credit card, personal loan or small business loan can call our dedicated Customer Connect team via a toll-free hotline (1800 252 845) to discuss their situation.

The specially-trained team of around 50 ANZ staff is on hand to offer flexible relief packages for our customers.

The team takes time to understand individual circumstances and work with customers to find the most suitable support measures to help

them while they get back on their feet. Relief packages are developed based on what our customers can afford to pay at the time without requiring them to provide evidence of hardship.

For home loan customers for example, this may include deferring or reducing repayments on their loan for three, six and up to 12 months, depending on their particular circumstances.

For home loan customers, reduced or deferred repayments for 3 months are the most common form of temporary relief taken-up. We check back with customers regularly to see how the arrangement is assisting them and whether they need more time on temporary arrangements.

Developing and maintaining close supporting relationships with business customers becomes even more vital in the current economic climate. As part of our ongoing engagement, we contacted over 18,000 business customers around the country in February to understand how they were coping and whether any specific

assistance was required to stabilise their financial situation. Relationship Managers were able to identify potential problems early and put in place appropriate responses immediately.

"Customers want to know their bank is behind them in uncertain times. Conversations such as these can help turn around seemingly insurmountable problems very quickly," said David Hisco, Group Managing Director, Commercial Banking.

While most were relatively positive about the outlook for their business over the next 12 months, some customers required assistance to ensure they were able to see out the current volatility. Support measures range from credit extensions to boost cash flow to loan restructures so customers can manage repayments while continuing to invest sufficiently in their business.

ANZ committed \$8 billion to new and existing small and medium businesses customers in 2009. The lending will provide the working

capital they need to maintain cash flow, support new investments and facilitate international trade. The continued investment is designed to keep the flow of credit in the sector moving thereby supporting broader economic growth and employment. ■

*"We want our customers to know they will not lose their homes or cars just because they are facing difficulties that may only last a few months."*

**Brian Hartzler – CEO Australia**

# BUILDING A SUPER REGIONAL WORKFORCE

## KEY POINTS:

- New organisation structure to support our growth strategy
- Enhancing employee skills and capabilities
- ANZ values launched reflecting what's most important to our people

After completing a major restructure of our business, we are now engaging our 37,000 employees to deliver ANZ's strategy to become a major financial services organisation in our region.

Over the past six months we have re-organised from a business focused on designing and selling products to one that seeks to meet the needs of our customers in specific geographies and segments.

The new structure is also intended to deliver a more efficient business, with fewer management layers to give greater empowerment to individuals and improve the sharing of expertise and resources across divisions. Reducing complexity in this way will also prepare us for what is likely to be a sustained period of economic uncertainty.

While the restructure did not affect staff in our branch network or Asia Pacific business, it did result in change of some kind for around 75% of employees. Over 1,000 Australian and 200 New Zealand, mainly executive and management level staff, were retrenched.

"A restructure of this size is never easy, especially when the business strategy and economic climate requires it to occur as quickly as

possible," according to ANZ's Group Managing Director, Human Resources, Susie Babani.

Staff received regular updates on the rationale for the change, processes for reviewing businesses and assessing staff for available roles, as well as information on the development of new teams and structures, via face-to-face discussions as well as our intranet.

People impacted by job losses were offered support to help them find roles inside and outside ANZ. This included counselling services, career advice and assistance with job searching, references, interview and communication skills.

"It's natural that people will feel unsettled by the changes, particularly when close colleagues and friends are affected. However, it is also important to look ahead to the long-term future for our business," says Susie.

Ensuring our 37,000 strong workforce remains focused and motivated was a significant priority

so we introduced 'New Beginnings', a series of workshops to help employees and teams understand their purpose in the organisation and resolve some of the concerns or confusion that can naturally arise from a period of change.

"This is one of the most challenging and exciting phases in ANZ's history. The opportunities are truly unique, but it is undoubtedly a new direction and we have to make sure our people understand and are energised by the role they can play in achieving our growth strategy," says Susie.

"In the coming months we will launch a substantial new approach to develop and stretch our most talented employees while ensuring our people have the opportunity to experience a broad range of roles throughout their careers at ANZ.

"We will also introduce a new learning program called 'Building Bankers'. This is a major investment to ensure all staff have the sophisticated and rounded set of skills and capabilities increasingly required of trusted bankers," says Susie.

*"A restructure of this size is never easy, especially when the business strategy and economic climate requires it to occur as quickly as possible."*

**Susie Babani – ANZ Group Managing Director, Human Resources**

ANZ's new corporate values, introduced in late March and applicable globally, mark a crucial step in engaging and developing our people to deliver on ANZ's growth strategy.

"There is considerable evidence that the most successful companies are those where corporate values are consistent with the personal values of employees," says Susie. ▶

# BUILDING A SUPER REGIONAL WORKFORCE

## ANZ VALUES

- **Integrity** - do what is right
- **Collaboration** - work as one
- **Accountability** - own your actions
- **Respect** - value every voice
- **Excellence** - be your best

The new ANZ values were developed following a group-wide survey and detailed consultation to ensure they truly reflect the strongly-held values of our staff. Corresponding standards of behaviour require everyone at ANZ to pursue our business objectives in an ethical and sustainable manner.

“Rather than prioritising one stakeholder group over another, the values focus us on doing the right things well. They provide a reference point to arrive at clear, consistent and ethical decisions, which will be more important than ever as we enter new markets and new countries,” according to ANZ CEO, Mike Smith.

“Our challenge and our opportunity is to ensure the values underpin everything we do, at every level of the organisation. All employees, and our stakeholders, should also feel compelled to speak up if the values are not being reflected in how we do business,” says Mike.

*“Our challenge and our opportunity is to ensure the values underpin everything we do, at every level of the organisation.”*

*Mike Smith – ANZ CEO*

ANZ's annual employee survey will provide a picture of how consistently we are applying these values across the organisation.

This year's survey, currently scheduled to be conducted in July, has also been tailored to help us better understand what motivates and inspires employees to deliver better business results. The survey will identify the strongest interdependencies between employee engagement and business performance and the specific actions we can take to deliver improvements to both. ■

*“There is considerable evidence that the most successful companies are those where corporate values are consistent with the personal values of employees.”*

*Susie Babani – ANZ Group Managing Director, Human Resources*

# SUPPORTING RURAL ECONOMIC & COMMUNITY DEVELOPMENT

## KEY POINTS:

- Expertise in financial literacy is being adapted to support development in Asia and the Pacific
- WING mobile payment service is facilitating inclusion by providing basic financial services to rural communities in Cambodia
- ANZ announces plans to establish a rural bank in Western China that will help support the Chinese Government's rural reform program

We are using our resources and expertise in banking and financial literacy to contribute to rural economic development in Asia and the Pacific.

Through our flagship Australian programs, Saver Plus, MoneyMinded and Progress Loans, we have seen first-hand how increasing money management capabilities and access to basic banking services can help bridge financial and social divides for the vulnerable.

Now in Asia Pacific, initiatives like ANZ's WING business are demonstrating that, coupled with the expansion of our banking services, financial literacy and capacity building programs contribute to even greater economic, social and financial inclusion in developing markets.

For example, Cambodia is largely a cash economy and banking is usually targeted at the urban middle class. About 95% of the population has limited access to formal financial services, yet mobile phone ownership is growing by about 50% per year.

WING provides individuals and businesses with safe, convenient and inexpensive ways to store and transfer money through any mobile phone device. This new technology can therefore dramatically improve access to financial services faster and at a lower cost than traditional branch-based models.

More than 10,000 customers have signed up to WING since the launch in Cambodia in January 2009. Seventy-five per cent of these customers are from under-banked rural areas.

For farmers, it is providing a secure way to save their money for large purchases or seasonal requirements, such as motorbikes, agricultural education, fertilizer and seeds.

Garment factory or construction workers are using WING to send money to their family in the provinces, avoiding the expense and time associated with money transfer services or hiring taxis to drive the money home.

Local merchants and trusted microfinance institutions, such as Vision Fund, are partnering with ANZ to provide 'cash in' and 'cash out' facilities and financial literacy programs in areas accessible to rural communities.

"People in rural areas of Cambodia tend to suffer from a 'poverty premium', meaning they pay more for basic services than those in urban centres thereby compounding their situation," says WING's Managing Director, Brad Jones.

"Because it is accessible through any mobile phone, WING can reduce the cost and time of managing

money, stimulating savings and creating a pathway to help achieve other financial aspirations."

The theme of rural financial inclusion also features in our community investment activities in the Pacific, where ANZ has operated for nearly 130 years.

Our Rural Banking program has delivered mobile banking services via road, water and air to remote highland regions in Fiji since 2004.

The service has 60,000 customers in over 300 rural communities and \$11 million in funds under management.

In addition to basic savings and transaction accounts, the Rural Banking initiative supports small farmers and entrepreneurs with micro loans of up to \$2,000. Many of these loans are used for the purchase of farming equipment or to establish new businesses. For example, a recent small loan funded the purchase of a wooden punt which our customer used to open a ferry business, facilitating the freer movement of people and goods.

"These and other programs help us play our part in supporting sustainable development in the region," says ANZ's CEO Asia Pacific, Alex Thursby.

"As we grow our business, we can use our resources and expertise to contribute to rural development and poverty reduction goals, at the same time as developing sustainable business opportunities."

ANZ recently announced plans to establish a new rural bank in Liangpang, a county near the city of Chongqing in western China, home to more than 900,000 people. We plan to use our experience in agri-business banking to expand further in rural China and in doing so, support the Chinese Government's rural reform program. ■

*"As we grow our business, we can use our resources and expertise to contribute to rural development and poverty reduction goals."*

*Alex Thursby, CEO Asia Pacific*

# OUR PROGRESS

BELOW IS A SUMMARY OF HOW WE ARE PROGRESSING AGAINST OUR 2009 CORPORATE RESPONSIBILITY GOALS.

## RESPONSIBLE SERVICE, PRODUCTS AND DECISIONS

Providing simple, uncomplicated products and services tailored to our customers' needs and making business decisions that take into account economic, social and environmental issues.

GOAL	WHERE IT APPLIES	PROGRESS	RATING
Conduct a review of ANZ's approach to responsible retail lending, including the way we offer and market retail credit, to ensure consistency with the principles of responsible money management and use of credit	Australia	We have introduced new measures to support customers facing financial hardship. These include a dedicated hotline (1800 252 845) where customers can access specialist assistance, and deferred or reduced repayment arrangements for home loan and small business customers for up to 12 months. A benchmarking study of best practice support for customers in hardship will recommend further improvements to be implemented later in 2009. A review of our retail credit marketing will commence shortly to ensure our practices remain sensitive to community expectations and the current economic climate.	
Resolve 90% of all customer complaints within five working days and improve customer satisfaction with our complaint resolution processes.	Australia	Currently 91% of customer complaints are being resolved within 5 days. A survey of credit card customers has identified key issues impacting customer satisfaction. In response to this and other feedback, we are standardising and streamlining complaint resolution processes so complaints are handled more efficiently and reviewing internal reporting of complaints data so it can be used more effectively to improve our processes and services.	
Upgrade Internet Banking security and introduce new online products to assist customers in more effectively managing their money.	Australia	A major upgrade of Internet Banking security is underway to be implemented in October. A recent security enhancement allows ANZ to recall internet banking payments notified to us by a customer as potentially fraudulent.  Over 15,000 customers have registered with our new ANZ MoneyManager service, providing customers with a single online view of their financial information together with automated budgeting and reporting tools. We launched SmartyPig, Australia's first online savings account which uses social networking sites to help customers save for specific goals. Customers can track their progress via sites such as Facebook and MySpace and family and friends can securely contribute to the person's savings goal online.	
Ensure consistent social and environmental assessment processes across all client evaluation and credit approval systems in our Institutional business.	Global	We are enhancing the decision tools and guidance notes to assist employees in applying our Water and Energy Policies. Consistent measures are being established across our business to monitor and audit how social and environmental policies are applied in practice.	
Integrate social and environmental policy and Equator Principles requirements into Institutional wholesale credit training.	Global	Comprehensive training for senior Institutional bankers on social and environmental issues, our screening process and sector policies will be conducted in July. A broader training program for all ANZ staff will cover the fundamentals of how the financial sector operates, including an overview of ANZ's risk management framework, including how social and environmental considerations should be factored into our financing decisions.	

### LEGEND

On track
  Behind target
  Will not meet target

# OUR PROGRESS

BELOW IS A SUMMARY OF HOW WE ARE PROGRESSING AGAINST OUR 2009 CORPORATE RESPONSIBILITY GOALS.

## RESPONSIBLE SERVICE, PRODUCTS AND DECISIONS

Providing simple, uncomplicated products and services tailored to our customers' needs and making business decisions that take into account economic, social and environmental issues.

GOAL	WHERE IT APPLIES	PROGRESS	RATING
Implement our new Group Code of Conduct and Ethics, including 100% employee completion of our Code of Conduct and Ethics Declaration training course, and agreement with the Code.	Global	Our new Code of Conduct and Ethics was launched on 31 October 2008. At 28 February 2009, 96% of ANZ staff globally had completed the Code of Conduct and Ethics Declaration training course. We aim to have all remaining employees complete the Ethics Declaration course in the coming months.	
Implement an employee values and ethics training program, and ensure it is completed by our 100% of senior executives globally.	Global	One hundred and forty-one ANZ senior executives participated in a full-day workshop on organisational values and ethics designed and delivered by Dr Laura Hartman, an internationally recognised expert in business ethics from DePaul University in Chicago. Individual briefings for executives unable to attend the workshop will be conducted by July 2009.	
Reduce our LTIFR by a further 10% in Australia and New Zealand, and continue the implementation of our global health and safety program.	Global	LTIFR, a standard measure of the effectiveness of occupational health and safety programs, has reduced in Australia from 2.4% in September 2008 to 2.1% in March 2009 (a 13% reduction). LTIFR in New Zealand has reduced by 30% from 2.0 in September 2008 to 1.4 in March 2008. ANZ has also commenced LTIFR reporting for its India-based operations.	
Implement a training program on economically, socially and environmentally responsible sourcing decisions and ensure completion by 70% of Category Spend Managers across ANZ's global operations.	Global	An online training program on ANZ's approach to sustainable sourcing was launched in April 2009. 15% of our global sourcing staff have completing the training so far.  More detailed training on analysing and managing the social and environmental risks of our sourcing activities will be provided to category managers through instructor-led workshops in May.	
Develop an audit process to track supplier compliance with ANZ sustainability requirements and pilot the process with a high risk supplier.	Global	Audit process is in development and pilot is on track for commencement in July 2009.	
Develop sustainability sourcing guidelines for six new ANZ spend categories.	Australia	Two new guidelines for Office Products and Print Services have been developed and approved. Four further guidelines will be developed before 30 September 2009.	
Develop two-year environmental footprint targets for 2010 to 2011.	Australia and New Zealand	New targets are currently being modelled based on examination of our historical performance, our regional growth agenda and research on best practice approaches of national and international peers.	

### LEGEND

On track
  Behind target
  Will not meet target

# OUR PROGRESS

BELOW IS A SUMMARY OF HOW WE ARE PROGRESSING AGAINST OUR 2009 CORPORATE RESPONSIBILITY GOALS.

## SUSTAINABLE DEVELOPMENT

Contributing to economically, socially and environmentally responsible development in the region

GOAL	WHERE IT APPLIES	PROGRESS	RATING
Implement a strengthened Group Corporate Responsibility Charter.	Global	Research on current global best practice and expectations of consumers in key markets of Australia, China and Indonesia has been completed. Internal engagement is ongoing and external engagement on the strategy will take place across key geographies in June/July.	
Implement a Group-wide human rights policy and management system	Global	A cross-business project team has been established and initial best practice research completed. Internal and external stakeholders will be engaged in the policy development process in May. A key objective is to integrate the new policy into existing ANZ management systems.	
Create a new Group-wide corporate community investment fund.	Global	Initial scoping work is underway to create a fund that can facilitate community investment programs and initiatives that respond to local issues across all markets. Guidelines for accessing the fund will be aligned to ANZ's broader CR objectives.	
Implement new products and services to assist Institutional clients with the transition to a lower carbon economy.	Global	We have established a Sustainability Solutions team in our Institutional Division. Their initial focus is on identifying opportunities to assist customers in managing the impact of mandatory carbon constraints on their business.	
Complete the pilot of our mobile commerce product "WING" in Cambodia, and investigate opportunities to extend it to other markets in our region.	Asia Pacific	More than 10,000 customers have signed up to WING since the launch in Cambodia in January 2009. The WING team is working closely with the International Finance Corporation and leading NGOs to develop robust economic, social and financial success measures for the pilot program. They are also working on a business case for the potential expansion of WING to other markets.	
Implement a pilot model for community investment in Asia Pacific	Asia Pacific	Features of the model are being defined and will be dependant upon the development of ANZ's overall CR strategy, Group-wide community investment fund and the outcomes of the WING mobile payments product pilot in Cambodia.	
Review and recommend options to achieve our goal to become carbon neutral in Australia and New Zealand in 2009.	Australia and New Zealand	ANZ is reviewing our carbon neutral strategy following the release of the Australian Government's National Carbon Offset Discussion Paper (December 2008). We aim to finalise our next steps by the end of September 2009.	

### LEGEND

On track
  Behind target
  Will not meet target







