

News Release

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ANZ ESG investor briefing speeches

SHAYNE ELLIOTT, ANZ CHIEF EXECUTIVE OFFICER

Good afternoon everyone and thanks for joining us.

This is our third ESG briefing and while it is a little different logistically, I hope you find it just as useful.

2020 has been a challenging year. Our customers and communities have faced significant uncertainty and loss, initially for some brought about by bushfires and now the COVID-19 pandemic. Our thoughts are with those who have lost loved ones and been directly impacted.

For those who joined us at this briefing last year, you may recall we focused on our governance framework as well as our response to the Royal Commission. So, the focus was on the 'G', if you like, within ESG.

Today, I will largely focus on the 'S' and how our purpose has guided our response to COVID-19, particularly how we're supporting our customers.

Mark Hand, our Group Executive Retail and Commercial for Australia, will cover the specific support measures for customers and staff. And the risks being amplified by the pandemic, including cyber-security. We'll then open it up for questions.

To begin with I'd like to discuss our ESG framework, our priorities and the progress we're making.

We have a clear sense of purpose at ANZ – to shape a world where people and communities thrive. Our purpose guides our decisions about who we bank, how we behave and what we care about most.

We've done a lot of work over the last few years to embed our purpose and build a values-driven culture, and ensuring we have the capacity to deliver it.

These foundations have meant we are in a strong position to meet the current challenges in a fair, ethical and sensitive way for our customers, employees and the community while still delivering decent returns to shareholders. We believe those interests are aligned and not trade-offs.

And while we've had to adapt our business in the current environment, we haven't lost focus on our strategy and our priorities of...

- Improving the availability of suitable and affordable **housing** options for all Australians and New Zealanders;
- Supporting household, business and financial practices that improve **environmental sustainability**; and on
- **Financial wellbeing**: helping our customers, employees and the community make the most of their money throughout their lives.

Fundamental to our approach is a commitment to **fair and responsible banking**, maintaining high standards of conduct, and keeping pace with the rising expectations of our customers, employees and the community.

Now, a brief update on our ESG targets, many of which are aligned with the United Nations' Sustainable Development Goals.

We're making good progress with over 80 per cent on track. While progress in some areas has been less than we would have aspired to, it's important we set ambitious goals.

The management of climate-related risks and opportunities clearly remains a priority issue for the bank.

Our own footprint is small but not irrelevant and we have made progress. More importantly we can influence the impacts of our customers.

Our target to fund and facilitate at least \$50 billion in sustainable financing by 2025 is on track and progressing well.

An example of this is the green loan we provided to Walker Corporation for the development of Parramatta Square – a great amenity for the people of New South Wales – and the first labelled green loan executed by a private company in Australia, which means proceeds are allocated towards qualifying green projects.

We also have a target to encourage and support 100 of our largest emitting customers in the energy, transport, buildings and food, beverage and agricultural sectors in their public commitments to transition to a net zero economy.

We have already reviewed the carbon disclosures of more than 90 of these customers and engaged with more than 60 to support the strengthening of their plans. And we will announce an updated carbon policy at our Full Year Results in October.

We also know we have a role to play as a borrower, and our Group Treasury team is now systematically including the issuance of Sustainable Development Goals – or SDG – bonds into our annual capital and funding needs.

A couple of key highlights relating to our other priority areas of housing and financial wellbeing include:

- We've jointly led three social bonds for the National Housing Finance and Investment Corporation in the last 18 months. Their most recent issue in June was for \$562 million –and will support 10 community housing providers with access to more than 2,700 affordable homes.
- Our matched savings and financial education program, Saver Plus, has helped more than 46,000 lower-income Australians save over \$24 million to support their own and their children's educational needs.
- More recently, we directed about \$12 million to our key community partners to, among other things, help expand their programs online. This is particularly important as our partners witness increased demands at a time their traditional face to face channels are challenged.
- And we've also partnered with the United Nations Development Programme (UNDP) to deliver our financial education programs in the Pacific.

Overall, we're making good progress but we know we always can do more.

Now let me talk specifically about our approach to COVID-19.

Put simply, it's about **protecting** what matters, **adapting** to the changing environment, increasing **engagement**, and **preparing** for the future.

Our decisions in responding to the crisis have had a very real short term financial impact – on earnings, profitability and of course shareholder value. But our focus remains on the long term. A healthy and sustainable community is in the long term interests of ANZ.

Throughout, we've tried to make fair and appropriate decisions, seeking to balance the needs of all stakeholders.

Here today, we're issuing a 'statement of intent' to provide clarity on our commitment to support customers, and we expect to be held to account against this and will report on our progress.

As you know, in March we commenced offering new assistance to customers who were current with their repayments, but needed support in the form of payment deferrals due to the impact of COVID-19. By current, I mean up-to-date or no more than one month overdue on their payments. We figure that there will be good reasons when people have been overwhelmed why they might be a week or so behind on their payments and we shouldn't penalise them for that.

For those receiving this support but are unable to resume full repayments at the end of the initial deferral, the statement of intent outlines that we will...

- Listen to the customer to understand their current and near term financial position;
- Adjust facilities where possible, for example, provide a period of interest only for those able to resume repayments only if their loan is restructured;
- Extend the deferral period for those who are unable to resume repayments, but are likely to have an improved financial position in the medium term; and
- Assist those customers likely to experience ongoing financial hardship to find an appropriate solution.

Sadly, we know there will be difficult situations where we need to help customers wind up their debts and when this happens we will be ethical and sensitive in our actions.

In short, through this 'statement of intent', we're seeking to give customers and other stakeholders greater certainty at what is an uncertain and stressful time for many.

Moving to how we are managing the impacts of the pandemic.

Our first step was to **protect our ability to operate** as well as protecting our **customers and our people**.

In March, we announced our initial support package for small business and home loan customers.

Since then we've supported around 200,000 customers in Australia and New Zealand with measures such as payment deferrals and temporary over draft facilities.

The COVID pandemic has also meant we've needed to do some things differently in the way we support our customers.

A good example of this is how we have worked to protect the health and safety of our vulnerable and elderly customers, so they don't have to physically come into a branch.

When the pandemic first started, we had around 7,000 customers who had a 'passbook' account, which they used to withdraw money face-to-face from a teller.

We've developed a new process so they can open a visa debit account from their home over the phone, and we have been in contact with the majority of these customers to assist with this.

Our other immediate priority was **looking after our staff**. We transitioned as quickly as possible to enable most of our staff to **work from home**. And since March, we've had approximately 90 per cent of our people doing just that.

Mark will touch on this later – but it's important to note the responsibility we have in terms of protecting our people, and this includes their mental and physical wellbeing.

Our people have adapted faster than we could have imagined and have been remarkably flexible in making sure we continue to provide services to our customers.

How we have adapted to the crisis in many ways demonstrates the success of our efforts in recent years to strengthen our governance processes.

A key element to this was reviewing our response to the pandemic and deepening Board oversight of the business through an ESG 'lens'.

Fortunately, we've also had the benefit of a consistent and cohesive management team.

Our management **Ethics and Responsible Business Committee**, which I chair, is a leadership and decision making body. It considers the social and environmental impacts of the industries we finance, our treatment of customers and the communities that ANZ serves.

The **Board Ethics and Environmental, Social and Governance Committee** is responsible for overseeing and reviewing our approach.

For instance, our work to improve our policies, processes and disclosures on our **approach to human rights** has been a focus this year.

We have committed to review and strengthen our human rights policies, including our customer social and environmental screening processes, and are developing a grievance mechanism using the UN Guiding Principles on Business and Human Rights.

The Board has also overseen our work to **upgrade our climate commitments**.

The COVID-19 pandemic has also seen our Board in particular, actively engage and oversee a number of key decisions, especially responsibly allocating capital.

Our third area of focus is **how we engaged with stakeholders**.

In a time of crisis, people need clarity and certainty. And we've stepped up engagement with all our stakeholders for this reason.

We have worked closely with government and regulators to ensure the support measures in the form of deferrals and extensions were appropriate.

In addition, our senior executives engage weekly with NGOs, consumer advocates and financial counsellors to discuss what they're seeing on the ground to ensure we are acting responsibly and responsively to real world conditions.

Now just before I hand over to Mark, I want to touch on a few key points as we prepare for the future.

As mentioned, our strategy and priority areas are unchanged. But we do have some forward looking objectives, which are to:

- Maintain strong risk discipline, focused on good customer and regulatory outcomes;
- Improve the financial well-being and experience of our customers – such as improving the decision times for home loans and business lending in Australia
- Build a diverse and adaptable team; and
- Run our core business well and deliver sustainable operational improvements.

These build on our goal to be simpler, more efficient and better managed and will set us up even more strongly for the future.

Now with that, let me hand over to Mark who will discuss our non-financial risk management work.

MARK HAND, GROUP EXECUTIVE RETAIL AND COMMERCIAL FOR AUSTRALIA

Thanks Shayne. So let me go into a bit more detail on what's changed for us during the pandemic.

Responding to the needs of our customers was a top priority as Shayne mentioned.

In the peak months of March and April, we saw customers who were current on their lending arrangements, needing access to support measures. This is in addition to some who were already being provided with assistance through our hardship team.

Since then, we've developed formal and regular check-ins, and processes to transition those customers who can, to come off support measures.

At the three-month mark, we checked-in with customers on their progress, and have just this week commenced engaging with them again, prior to their deferrals ending, to prepare and plan ahead.

We believe most will resume their paying down their loan as deferrals finish. And, encouragingly, we've already seen a number of customers make some kind of repayment.

However, some will need further help and for those who remain impacted and unable to return to full repayments, we are working through this sensitively and on an individual basis, trying to give them as much breathing room as we can to help get them back on their feet.

But it's good news for some business customers. And we are seeing some positive signs from those who are in a good position, who've been able to proactively manage costs, be conservative with capital, and innovate during this crisis.

Our response has also been about how our contact centres have helped support and serve our customers. For many who needed assistance, English wasn't their first language and so we had 22 languages covered from our contact centre staff.

And in August, we hired an additional 250 full-time employees to work in our customer hardship team, as demand in our contact centre has seen an increase of more than 65 per cent.

Operationally, the other most significant piece of work was around how we were able to adapt and **support our staff to work from home**.

This was a big task, as we had to increase our capacity very quickly, but we had the right systems in place to do this.

We've also planned for the return of a limited number of our employees to the workplace, in line with government advice.

During June and July, a small number of our staff in some locations such as South Australia and Western Australia returned to the office, with other locations on hold due to further stay at home restrictions in place.

With this significant change in our work life, our approach to **culture and employee wellbeing** became another top priority.

It wasn't just about ensuring our people could work at their best, but more so, how were they managing and were they ok.

Early on, we focused on how we would help our people build 'resilience' to steer through this crisis. For instance,

- We launched a HealthyMe digital app– offering 'bite size' pieces of content on topics of health and wellbeing. The aim was to help our staff develop the skills to boost resilience and deal with challenging situations.
- And we increased communication about our Employee Assistance Program which provides short-term wellbeing support services for employees and family members. Interestingly, during the COVID-19 periods of isolation, our utilisation of the EAP remained stable compared to previous quarters, which possibly reflects the impacts of the wellbeing measures we put in place.

Pleasingly, the results from a global employee survey conducted in July, told us that 93% feel that ANZ is supporting employees during the COVID-19 pandemic.

From an overall business perspective, we wanted to confirm we had the right strategies in place while also strengthening the integrity of our risk management system.

We started to look more closely at everything based on a **heightened risk appetite**, including our assumptions on how we do business, how we work together, and how we manage risks and capability.

Our **policies** are designed to ensure we have the right boundaries and guidelines in place for how we operate. In a time of crisis, we've needed to adjust our thinking on these.

This has included reviews of how we model risk in our portfolios, on how we view high risk sectors, how we grade customers and stress test them, and understand the capital and provisioning implications of it all.

Another element to this crisis has been the increase in **cyber security threats**.

The threat of cybercrime and fraud is not new, but in the current environment, it's become more prolific.

We have seen a significant increase of cyber-attacks since COVID-19 began. For example, early in the crisis we were blocking around 550,000 COVID-related phishing emails per month, which has now reduced. But to put this in context we block over seven million emails a month.

Our 24/7 sophisticated security operations centre's defences and mitigation capabilities, which analyse millions of data events every day, helps keep the bank, its staff and customers, safe online.

We've also increased staff and customer communications to ensure people are protecting themselves – by being able to spot a suspicious email or website, recognise a ransomware scam, and by having the latest software and hardware to block the traffic. This is in addition to our mandatory security training for all employees.

So we're well prepared and managing well, but we're not complacent and continue to take this risk seriously.

Before I hand back to Shayne, I want to talk to the effects of the **bushfires** that devastated parts of Australia earlier this year and our work to help support the communities affected.

The bushfires were some of the worst in our history and impacted the wellbeing and livelihoods of so many, with effects still being felt in some locations such as in Gippsland, Victoria.

In January, we activated a financial relief package for customers.

We also donated more than \$1 million to support customers and communities impacted. And we extended special paid leave for employees who volunteer in emergency services to ensure they were supported while helping the community.

I was able to spend some time visiting a number of regions across Australia in the weeks following the fires and saw first-hand the impact on the local communities.

Sadly, COVID is also now hitting them, as most of the regions affected rely on tourism for income. We will continue support our customers as best we can to get through this time.

For instance, we are planning to direct a portion of our sustainable finance target of \$50 billion towards supporting customers and communities impacted by disasters. For example, capital will be allocated to fund or facilitate weather event resilience initiatives or to build resilience against non-weather related disasters such as pandemics.

With that, let me hand back to Shayne.

SHAYNE ELLIOTT, CHIEF EXECUTIVE OFFICER

Thanks Mark. Before I take questions, there are a couple of important pieces of work I'd like to mention briefly – the Royal Commission and APRA self-assessment.

On the **Royal Commission** – as you would know, we announced 16 commitments that responded to the final report.

We made significant changes to how we reward and recognise our people – making sure it encourages collaboration, team performance and long-term thinking – but also reduces the risk of having outcomes that may not always be in our customers' best interests.

We replaced individual performance-based bonuses with a Group performance-based bonus for approximately 80 per cent of employees, and reduced variable remuneration.

We strengthened ANZ Group Board and management oversight particularly in relation to accountability and governance, and introduced new Accountability and Consequence Principles.

And we acknowledged the importance of fixing the mistakes of the past and returning money owed to customers as quickly as possible. To date our Retail and Commercial Responsible Banking team has remediated over 1.5 million customer accounts and issued refunds of \$134 million.

In response to our **self-assessment** and commitments to improve areas such as governance and accountability, simplification and culture, we have taken action to simplify our business, which included the sale of ANZ's life and general insurance businesses, Pensions & Investments business, and of UDC Finance.

There is more to be done but I feel we're on the right track and making the necessary changes.

So in closing, I hope today has helped explain how we've responded to the pandemic and how our approach has been informed by our purpose. I see this time, as difficult as it is, as a real opportunity for us to prove the value we provide to the community.

I also hope we've given you a sense of where we're focussing our efforts with respect to ESG issues and that this work remains a priority, despite the pandemic.

Thank you.

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