News Release

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ANZ ESG investor briefing speeches

SHAYNE ELLIOTT, ANZ CHIEF EXECUTIVE OFFICER

Hello everyone.

Before we begin, I would like to acknowledge that I am connecting from the lands of the Wurundjeri Peoples of the Kulin Nation. I also acknowledge the Traditional Owners of the various lands on which our attendees are joining from.

Today I'm joined by Maile Carnegie, our Group Executive Australia Retail, and Mark Whelan, our Group Executive Institutional.

In this session, I'll cover:

- Our integrated approach to purpose, strategy and ESG, and how it ensures we are driving value for the bank.
- An update on the 'Bank we're Building' strategy and how we're setting ourselves up for future growth, including through some structural changes.
- And then lastly, what we're seeing with the uncertain macro-economic environment, with interest rate rises and cost-of-living pressures.
- Here, I'll mainly talk to the situation with an 'Australian lens', given most of our customers are here and it's where we're likely to see potential issues arising. But I do want to acknowledge from the outset, that the Australian market isn't alone with what it's experiencing, and the same stresses are also being felt in New Zealand and across the Pacific.
- I'll then pass to Maile to talk specifically about how our customers are managing, and what we're doing in preparation to assist those who may need help.
- Mark will then cover our Environmental Sustainability strategy, and how we are supporting customers successfully manage their transition.

So firstly, to our approach. At ANZ, we have a clear sense of purpose. To shape a world where people and communities thrive.

That purpose guides our decisions about 'who we bank', 'how we behave' and 'what we care about most'.

We've worked hard over the last five years to ensure we have a strong culture, an embedded purpose, and that ethics and values are integrated into our decision-making.

Our strategy is also clear. We want to improve the financial wellbeing and sustainability of our customers.

We have three priorities we're focused on. They are:

- Helping people save for, buy and own a sustainable, liveable and affordable home.
- Helping people to start or buy and sustainably grow their business.

- And helping companies move goods and capital around the region.

Aligned with these are the areas we care about most. Or our ESG priority areas. And they are:

- Improving the financial wellbeing of our people, customers and communities by helping them make the most of their money.
- Improving the availability of suitable and affordable housing options for all Australians and New Zealanders.
- And supporting household business and financial practices that improve environmental sustainability.

These are underpinned by our commitment to fair and responsible banking, as well as issues identified through our annual materiality assessment, namely:

- Investing in new technology and tools to protect our customers from scammers looking to steal their data and money
- Ensuring we have the most empathetic and helpful customer experience processes for when things go wrong, including managing complaints and customers in financial difficulty
- Investing in technology and partnerships that help customers improve their financial wellbeing and create value
- Finally, looking out for our people – physically and mentally so they can bring their best selves to assist customers.

So, our purpose, strategy, and ESG priority areas are aligned, as well as integrated with our material issues. And together, they work to support our overall ambition to create value for our customers, community, and shareholders.

Now what's also unique about ANZ, is how our approach to ESG considers our extensive international footprint.

We operate in more than 30 markets, and therefore manage a broad range of ESG issues across our global business and operations. This means we need to be aware of challenges across our entire network, and regularly assess and identify numerous ESG risks and opportunities.

This ESG approach is critical to creating value and delivering long-term success.

Now, how we hold ourselves to account and govern our approach is also critical. And we have two ESG committees dedicated to this:

Our Board Ethics and Environmental, Social and Governance (EESG) Committee is responsible for setting the policies and principles for our approach.

It is focused on overseeing our response to risks and opportunities, as well as identifying and understanding our most material ESG issues – which informs our approach, and guides our targets, external reporting and disclosures.

Over the last 12 months this Board Committee has spent the bulk of its time on 'governance' issues, such as making sure our policies – like those which govern our lending to sensitive sectors – are up to date.

It's also spent a lot of time overseeing our climate change commitment, including setting our portfolio emissions pathways – like in commercial properties and power generation.

Then, we have our management Ethics and Responsible Business Committee, which I chair, and is a leadership and decision-making body.

It operationalises our ESG work; considering the social and environmental impacts of the industries we finance – so the "who we bank" side of things; as well as our treatment of customers and the communities we serve – so "how we bank".

This year the Executive Committee spent its time discussing topics such as scams and cyber-crime, and customers in difficulty or in need of additional support.

This includes initiatives such as the additional training we provided to four and a half thousand staff to help them identify and offer special support to customers facing financial difficulty.

Now I just want to talk briefly about the 'Bank we're Building', which sets out our ambition to shape a better ANZ – one that is more focused and connected. And, one built on contemporary platforms, to help grow our market share sustainably and drive better lifetime customer value.

The last few years we've rightly focused on our operations, on remediation, costs and simplifying our business to provide returns for shareholders. And now we're concentrating on growth and investment.

External forces are going to challenge how we execute this strategy – we've got to hold more capital, competition is increasing, and margins are reducing over the long-term.

It no longer makes sense to keep doing what we've been doing. So, we need to get a few things right. We must:

- Build an innovative, compelling and data driven customer proposition. This means having competitive, fast, reliable, and simple products and services that meet our customers' needs.
- Establish partnerships that unlock value for us and our customers
- Have automated business services that are supported by cloud-based technology that is open, contemporary, resilient and compliant.
- And we need to ensure we have a more adaptive and agile organisation that encourages innovation.

Our people are also critical to the delivery of this strategy.

We want purpose-led people who drive value by caring about our customers and the outcomes we create.

The last couple of years of the pandemic really showed us what our people are capable of – supporting our customers during extreme times of stress.

We're proud of them and their work, and our recent employee engagement results are testament to this, with overall engagement at 84 per cent.

Additionally, 89 per cent of our staff have reported a feeling of 'belonging' which is above the global best in class benchmark.

Now, to measure our success with the 'Bank we're Building', we continue to build out clear metrics with internal and external targets.

These include having customers who are more loyal and engaged; and have greater financial wellbeing over their lifetime. It's also ensuring our financial results are stronger and more sustainable over the long-term.

So, we're building an ANZ that improves the financial wellbeing and sustainability of our customers. And one that delivers consistently strong shareholder returns.

We've got some work to do, but we're excited and driven to make this succeed.

In addition to the strategic changes, another part of how we're managing the future of ANZ is with some structural change.

You would have recently seen our announcement about acquiring Suncorp.

A key benefit of this acquisition is the strategic alignment of bringing the two organisations together. We both have strong corporate cultures, engaged workforces, and shared values and purposes. And we're excited about what the future holds for us.

We also recently proposed the establishment of a Non-Operating Holding Company for the Group, which will give us strategic flexibility to partner with, or acquire non-banking businesses, as we prepare our core business for a digitally enabled future.

The proposal is subject to numerous approvals and we're working through that process currently. We expect to send shareholders a memorandum in early November 2022.

Lastly, before I hand to Maile, I want to discuss the external environment and some of the economic challenges we are seeing.

Globally, there are geopolitical tensions with Ukraine and Russia, and North Asia and the Pacific. Trade tensions with US and China continue.

There are also very significant energy security issues in the European Union, which is having a knock-on effect around the globe.

Closer to home – in our key retail markets of Australia, New Zealand and the Pacific – many of our customers are dealing with real cost-of-living pressures.

Rising inflation and higher food and fuel prices across the Pacific are starting to have real impact on people's standard of living.

In New Zealand, inflation is at its highest since 1990. And in Australia, inflation is also at its highest in more than 30 years and is outpacing wage growth.

And, interest rates are rising, with the RBA undertaking a substantial rate tightening cycle.

Because of this, we're asking ourselves what it means for the financial resilience of our customers and what can we do to support them if they're feeling challenged.

While we do know households have built up a large pool of savings over the last couple of years – it's still too early to tell how this situation will play out. There are going to be some customers vulnerable to stress and we will be on the look-out to assist them.

With that, let me hand over to Maile to talk about how we are preparing to assist our customers through potential future challenges.

Thank you.

MAILE CARNEGIE, ANZ GROUP EXECUTIVE, AUSTRALIA RETAIL

Thanks Shayne and I'm really pleased to be here at my first ESG briefing.

Today I want to focus on three things:

Firstly, what we're seeing with our Retail customers, considering the challenging economic environment.

Secondly, our strategy for early identification of those customers heading towards difficulty – because we believe early engagement will lead to better customer outcomes, particularly in the environment we are heading into.

And thirdly, how we're building propositions to help strengthen the overall financial health and wellbeing of our customers for the long-term.

Our strategy in Australia Retail is to support our customers to achieve their financial wellbeing goals.

For our home loan customers, this means making sure they are informed about their mortgage and that it's within their means.

At ANZ, we have about one million Australian customers who have a home loan with us.

Many of these customers have built up a significant savings buffer through COVID, as Shayne mentioned.

About 40 per cent of customers have 12 or more months of savings buffers across offset, savings or redraw facilities.

We also have about 70 per cent of our customers who have paid additional funds to reduce their principal debt.

Our default direct-debit setting – which is not consistent across the industry – where we don't automatically reduce minimum repayment amounts as interest rates decreased – has helped play a part in this.

In effect, we put friction in their ability to step down their payments because we wanted to encourage them to get ahead on their loan.

So far – even as rates are rising – more than 50 per cent of our 'principal and interest' customers with direct debits are continuing to pay more than their minimum repayment amounts.

The percentage of customers who are behind in their loan repayments has also continued to decrease. About 0.7 per cent of home loans are more than three months behind, which is lower than pre-COVID levels.

A range of factors are behind this … a typical trigger for default is a life event like illness or unemployment. So, the record low unemployment rate is certainly part of it, as well as some customers resetting their mortgages during COVID.

It's also a reflection of the quality of home loans written in recent years – from changes to our lending policies, as well as the regulatory changes that followed the GFC.

Measures such as interest rate floors and higher interest rate buffers when assessing home loans– which are now at 300bps, and higher household expenditure measures, have contributed to customers being better placed to service their loans through these challenging times.

While customers are in a stronger starting position – the current environment is challenging for many people.

This potential downturn will look different to what we've seen in recent history, where hardship was triggered by unemployment.

We're in a rising interest rate environment – and for many of our home loan customers – this is the first time they are experiencing this.

Potentially even those employed, with regular wages, may experience some stress with meeting their repayments.

Our job here is to identify these customers and work with them as early as possible to support them through this challenging period.

Data plays an important role in early identification of customers heading towards difficulty. And we believe this is particularly important in today's environment.

We are using data analytics to look at savings, credit, and offset accounts – to help understand customers' financial behaviour and potential future outcomes.

It analyses events like interest rate changes, increases in living expenses and cashflow, and whether these could impact the customer's financial position.

This is helping us to understand who is in a positive financial position to meet future repayments; and who could experience financial stress in the next 12 months including with forecast rate increases.

The data is showing low levels of stress and we're not seeing increases in more of our lag measures like calls to the hardship team.

But we are assuming that this may change and are focused on proactively identifying and contacting customers who may need help, to find out how we support them.

This could be through text messages, nudges, or prompts – for example, courtesy reminders of when next payments are due, or direct phone calls – suggesting setting up direct loan payments.

When we do identify potential hardship, we do a full review of the customer's financial position to see what additional assistance may be suitable.

Measures range from arrears capitalisation, rate reductions, term extensions, or conversion to interest only for a period.

Overall, we want to support customers through periods of financial hardship. As it's in no one's interest to have them default.

We invested significantly in building and upskilling our financial hardship team during the pandemic, to support customers through the tough times.

Our team is well positioned to help those who may need assistance as we enter a period of economic uncertainty.

Before I hand to Mark, I wanted to quickly mention how we're building out our propositions to help strengthen the overall financial wellbeing of our customers, including through ANZ Plus.

The transformation of our retail platform has involved the simplification and rebuilding of hundreds of products, systems and processes, and technology, with a mission to improve the financial wellbeing of our customers.

What’s important here is we didn’t start this process with what technology to use, rather we started by identifying the nine core principles that drive financial wellbeing.

We then built the products, systems, processes and technology that would enable us to bring them to life with our customers.

Our initial ‘transact and save’ product within the ANZ Plus App is just the tip of the iceberg in the functionality to enable customers to have better visibility and control over their money and to help them achieve their goals.

We only launched in July and are seeing strong growth not just in customers joining, but also using key features such as spend predictions and savings goals.

We will give more information about the ANZ Plus program at our year-end results.

We are working hard to expand the program as quickly as possible as we believe the financial wellbeing tools, insights and support offered by ANZ Plus will stand our customers in good stead – particularly in periods of economic uncertainty.

It’s got a lot to live up to, but I’m excited by what’s to come with ANZ Plus.

With that, I’ll hand over to Mark. Thank you.

MARK WHELAN, ANZ GROUP EXECUTIVE, INSTITUTIONAL

Thanks Maile.

I'll cover three areas before handing back to Shayne for Q&A.

First, our environmental sustainability strategy.

Second, how we're engaging with customers on their transition.

And finally, some insights from my recent climate focused discussions with customers, regulators and peers in the UK and Europe.

We want to be the leading Australia-and New Zealand-based bank in supporting our customers' transition to net zero emissions.

And currently, we are in a 'net zero' super cycle of activity.

This presents an unprecedented opportunity around how energy is produced distributed and consumed.

Effectively the climate value chain.

We have a key role to play by directing our finance, services and advice to support our customers in shifting to low carbon business models.

That's why we're committed to funding and facilitating $50 billion by 2025 to help our customers achieve lower emissions and we are well advanced in meeting this target.

Our strategy embraces the opportunities presented by the transition.

It leverages our strengths and focuses efforts on customers, sectors and products that offer the best opportunities for positive impact in climate change and also for our shareholders.

I'll now give some real examples of our strategy coming to life:

- First, a $1.45 billion green loan for the Intellihub Group – a leading provider of metering infrastructure and data solutions. The funds are being used to rollout smart meters across Australia and New Zealand.
- Also, a new banking relationship with US-based Nextera – operator of the largest portfolio of wind and solar projects globally.
- And we financed the first-ever EV battery manufacturing plant in South-East Asia for HLI Green Power, a JV bringing together the Kia and Hyundai Motor Groups and LG Energy Solutions in Korea.

These examples show the value of our regional network, which is the broadest and deepest of the Australian banks.

We also have provided a $200 million funding program with the Clean Energy Finance Corporation, which offers discounted asset finance to help medium sized business improve their energy efficiency.

Now I want to also highlight two other recent examples of work underway in the Institutional business:

- We recently piloted the trading of tokenized carbon credits, using ANZ's Australian-dollar stablecoin.
- The transaction was successfully executed with long-term customer, Victor Smorgon Group.

- Finally, we have a memorandum of understanding to develop a carbon farming and biodiversity project that combines native reforestation and biomass harvesting.

This project will support our customers by contributing to supply market making and distribution capabilities for high-quality carbon credits.

This project is expected to provide opportunities for rural landowners in the wheatbelt community in Western Australia, and allows us to develop the project, with major corporate customers INPEX and Qantas.

The diverse nature of these examples shows the breadth and growth in our environmental sustainability capabilities across the portfolio.

Before I talk to our customer engagement, I want to discuss how we are aligning our lending to the Paris Agreement goals.

We were the first Australian bank to sign up to the Net Zero Banking Alliance – the NZBA. The NZBA commits us to aligning our lending portfolio with the goal of net zero emissions by 2050.

We are on track to set targets for nine priority sectors. We commenced this work last year, setting emissions intensity targets for power generation and large-scale commercial real estate.

We've been continuing that work and later this year will be announcing targets for oil and gas and building products.

Our targets, pathways and disclosures make very clear how we are aligning our lending to the Paris Agreement goals.

Our disclosures are TCFD aligned, and our target setting is guided by the Partnership for Carbon Accounting Financials or the PCAF standard.

This is consistent with good global practice.

Let me now turn to our customer engagement program.

As we've previously said, the most important role we can play is to help our customers reduce their emissions and shift to low carbon operations.

In our ongoing engagement with 100 of our highest emitting customers we consider that three key elements constitute a robust low carbon transition plan, governance, targets, and disclosures.

In our customer discussions, we explore each of these three areas.

To illustrate this point, let me step you through an example of engagement with one of our key energy customers and how that's evolved over the past few years:

Our first discussion focussed on the customer's approach to climate, their strategy, and what 'good practice' looked like for the sector. Essentially seeking to understand their approach.

Our second engagement was centred on their emissions reduction targets.

Our third engagement followed the customer's public release of their climate change statement with clear targets…… and at that time we also discussed their proposed governance frameworks.

Our most recent engagement this year was also broadened to include biodiversity matters.

While this customer is a large emitter, their immediate biodiversity impacts are relatively low given operations are at established sites. Therefore, discussions are focused on how they are working towards more positive biodiversity impacts through the progressive rehabilitation of mine sites.

We feel we're assisting customers to make real progress with their transition plans, as our engagement deepens over time and as we provide more products and services to assist.

Now, biodiversity has also become a new topic of engagement this year and is included in our customer conversations.

For example, a large commodity customer in the top 100 group is talking to us about how they're identifying and understanding the material biodiversity issues at their operations, including deforestation management, and an audit of wildlife sightings to ensure more robust measurement.

Finally, several months ago I met with key customers, regulators and peers in the UK and the European Union to discuss their responses to climate change.

Several themes came up frequently in our conversations, and these include:

- The pace of the greening of the financial economy, including portfolios and product development, and how it impacts the real economy.
- Prudential policy and insights into banks' balance sheets and models exposed to climate risk, including data quality.
- And also, the importance of building internal capability and capacity to support the transition; including the use of external partnerships to bring in specialist expertise.

An example for us being our partnership with Pollination.

The discussions were an opportunity to get a pulse check, and some guidance, on what may come next, here in Australia.

We're confident we are well positioned for the future and looking forward to the opportunities to come.

With that, let me hand back to Shayne for Q&A. Thank you.

SHAYNE ELLIOTT

Thank you Mark.

Operator, over to you for the first question please.

Final Close:

Thank you everyone for joining us today.

Once again it was a really engaging conversation and I hope you've found it useful.

We do try to discuss issues that are topical to the market and important to us, so hopefully we've achieved that today.

Thank you.

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