ANZ’s approach to Sustainable Development

March 2014
Our Sustainability framework articulates the application of our Purpose and is a fundamental contributor to our Vision, the best connected, most respected bank in our region.

- **Enhanced Value** – Three areas where we have existing strengths and competitive advantage to support our commercial ambitions.

- **License to Operate** – Five foundational activities that large, responsible corporations are expected to undertake. They support risk management, market positioning and reputation.

We support responsible growth and prosperity for our customers, shareholders, people, and communities.
We use a range of policies to guide decision making to ensure Environmental Social and Governance issues are adequately addressed. These include our Sensitive Sector policies, Judgemental Credit and Wholesale Credit policies.

ANZ banks some socially and environmentally sensitive industries/clients
- Defence (military equipment)
- Energy (power generation)
- Extractive Industries (mining, oil and gas)
- Forestry & Forests
- Water intensive industries
- Hydro Electric Power

ANZ aims to make balanced, informed and transparent decisions, through:
- Training
- Screening
- Monitoring
- Escalation
- External Engagement
- Reporting
Our approach to Human Rights

- We are a signatory to the UN Global Compact and are guided by its underlying declarations and convention: the Universal Declaration of Human Rights; the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work; the Rio Declaration on Environment and Development; and the United Nations Convention Against Corruption.

- We look to the UN Guiding Principles on Business and Human Rights as a set of global standards to guide the continual improvement of companies’ human rights practices.

- Human Rights are build into our financing decisions. These decisions take account of prospective and current customers’ human rights performance covering issues such as forced labour, involuntary resettlement, interference with indigenous peoples’ rights and corruption.

- We have a set of standards which support and strengthen our ethics and values and help us to further develop a culture of respect for people and communities in everything that we do. They provide clear guidance to all of us on the way we treat our employees, work with our clients and suppliers and contribute to the communities where we operate.

- Our approach to human rights was developed following extensive consultation with many people across our organisation as well as external stakeholders. It aligns with our Corporate Sustainability Framework, particularly our commitment to grow our business responsibly, and is one of the ways we can all support our CR priorities as we go about our everyday business.
Sensitive Sector policies guide decision-making


- The Sensitive Sector policies ensure social and environmental considerations are incorporated into our financing and lending decisions.

- Policies were released in 2009 and comprehensively reviewed in 2011 incorporating consultation with internal and external stakeholders. Comprehensive reviews of selected sensitive sector policies will be conducted in FY14.

- Process and key outcomes of the review will be reported in the Corporate Sustainability Review.
Equator Principles

- The Equator Principles are a set of voluntary standards designed to help banks identify and manage the social and environmental risks associated with the direct financing of large infrastructure projects such as dams, mines or pipelines.

- We have been signatories to the Equator Principles since 2006.

- The Principles are applied to all project structured finance transactions. Their use provides a clear, structured process to identify, mitigate, manage and monitor social and environmental risks.

- Use of the Equator Principles across the banking industry means our customers are able to provide environmental assessments to one standard, acceptable to banking syndicates. We regard the Principles as complementary to our Sensitive Sector policies.
We are providing employees with specific training on sustainability requirements within their roles

- ANZ’s **social and environmental risk training program** is mandatory for all Credit Approval Discretion (CAD) holders in our Commercial and Corporate & Institutional Divisions globally.

- Strengthens business decisions by enabling staff to take greater account of economic, social and environmental risks and opportunities facing our clients and business while minimising exposure to reputation risk.

- Covers ESG risks and how our sensitive sector policies guide investment decisions; escalation points; when more information is needed from clients or within ANZ; and protecting ANZ’s reputation.

- ANZ also provides training to our leaders through the Sustainability Leaders Program delivered in partnership with WWF.
ANZ uses screening tools to help identify social and environmental risks

- Social and environmental screening is a critical part of the assessment process for existing and prospective customers.

- Our screening tools are designed to continually evolve to respond to issues and industry trends.

- The screening covers sustainability issues and includes our human rights standards – *Respecting People and Communities*.

- Human rights and sustainability risk issues also incorporated in assessment of ANZ suppliers.

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Are you aware of any allegation that the client, through this transaction or others, is involved in breaches of human rights? Alternatively, does the project have the potential to lead to a breach of human rights?

Some examples include:
- a) Poor labour practices (including occupational health and safety)
- b) Forced, compulsory or child labour
- c) Inappropriate use of security forces (e.g. use of excessive or unnecessary force)
- d) Involuntary Resettlement
- e) Dealing with indigenous peoples (as defined by IFC guidelines)
- f) Corruption or bribery and the disclosure of payments and revenues to governments
Engagement on controversial issues with key stakeholders including investors and NGOs

- ANZ maintains a proactive and diligent approach to engagement with stakeholders and interested parties:
  - Member of international organisations (e.g. UNEP-FI, UNGC, RSPO);
  - Regularly engage with NGOs and environmental groups (e.g. ACF, The Wilderness Society, the Uniting Church in Australia, Transparency International); and
  - Provide comprehensive responses to customer and community concerns.
Reputation Risk Radar enables emerging issues and allegations to be identified and managed

- Our **Reputation Risk Radar** draws on external research to provide company history of potential clients and monitor allegations against existing and potential clients.
- **Early Alert Review** process assesses allegations and responses to allegations from ANZ’s relationship managers and clients.
- Chief Risk Officers and other stakeholders review the allegations and recommendations. High severity cases are referred to the RRC.
- Companies who appear on our Reputation Risk Radar for three consecutive months are discussed at a separate **Reputation Risk Protocol meeting** to determine what further investigations and actions need to be taken.
The RRC is chaired by the ANZ Chief Risk Officer.

The scope of protecting and enhancing the Bank’s reputation includes, but is not limited to the management of:

- Customer transactions undertaken by business divisions;
- General conduct of business units and related partnerships and entities; and,
- Emerging global trends and stakeholder expectations related to sectors, geographies or products.

<table>
<thead>
<tr>
<th>Customer</th>
<th>Transaction</th>
<th>Issue</th>
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</table>
| • ANZ RRC reviews customer situations and risks on a frequent basis | • Transactions involving companies within our ‘Sensitive Sectors’ undergo heightened due diligence and are frequently reviewed by the RRC | • ANZ maintains a watching brief on social and environmentally risky industries  
  • E.g. All financing for the coal industry is subject to unique social, environmental and stakeholder impact assessments. |
Case Study – Forests and Forestry

<table>
<thead>
<tr>
<th>Consideration</th>
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<tr>
<td>We identified through risk monitoring, an allegation that oil from an illegal palm oil plantation had made its way into the supply chains of a number of companies, including one of our large Agri-business customers.</td>
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<th>Process</th>
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<tr>
<td>Through discussions with our customer, we gained confidence that it was cooperating fully with the relevant certification body.</td>
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<tr>
<td>Furthermore, the company had taken prompt action to stop purchasing from the particular supplier.</td>
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<tr>
<td>Our customer also proactively managed communications around this allegation in the media. They publicly stated it would not deal with certain entities due to their involvement in illegal and improper activities.</td>
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<th>Outcome</th>
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<tr>
<td>Consequently, our customer has improved its due diligence and sourcing processes.</td>
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<tr>
<td>We continue to enjoy a strong commercial relationship to mutual benefit.</td>
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Economic Land Concessions

WHY DOES CAMBODIA HAVE ELCS?

According to the World Bank, over 80% of Cambodia’s population live in rural areas and more than 70% depend primarily on agriculture for their livelihoods. Although the agricultural sector has grown in recent years, agricultural production and rural economic growth have suffered from low productivity, high vulnerability to weather, and inadequate infrastructure.

According to Cambodia’s National Strategic Development Plan, because agriculture is the main source of employment and the core of the rural economy it is essential to develop the sector in order to build and sustain economic growth and to accelerate poverty reduction.

The government of Cambodia is currently encouraging diversification in crops and increasing productivity. ELCs are seen as a key tool for achieving these objectives.

The Ministry of Agriculture, Forestry and Fisheries (MAFF) has a list of ELCS granted to date. These include concessions for establishing plantations to grow crops such as rubber, sugar, cassava, palm, cashews, and acacia.

The MAFF is responsible for granting ELCS, and no other authority can legally grant an ELC. Provincial level authorities previously had the power to grant concessions for less than 1000 hectares, but this authority was cancelled in 2008. According to the law, details of all ELCS should be listed in the ELC logbook.

Source: Open Development Cambodia
Economic Land Concessions

Land Concession by Country

Source: Open Development Cambodia
Cambodian Trade

Composition of exports, 2012
Percentage of total exports

Composition of imports, 2012
Percentage of total imports

Trade structure (% of total, 2011)

<table>
<thead>
<tr>
<th>Exports</th>
<th>Rank</th>
<th>Imports</th>
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<tbody>
<tr>
<td>United States</td>
<td>1</td>
<td>25%</td>
</tr>
<tr>
<td>Germany</td>
<td>2</td>
<td>21%</td>
</tr>
<tr>
<td>Canada</td>
<td>3</td>
<td>20%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>4</td>
<td>8%</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>5</td>
<td>6%</td>
</tr>
<tr>
<td>China</td>
<td></td>
<td></td>
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<tr>
<td>Singapore</td>
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<table>
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<tr>
<th>Exports (% of total)</th>
<th>Rank</th>
<th>Imports (% of total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Articles of apparel &amp; clothing accessories</td>
<td>72%</td>
<td>1 24%</td>
</tr>
<tr>
<td>Footwear</td>
<td>8%</td>
<td>2 15%</td>
</tr>
<tr>
<td>Crude rubber (including synthetic and reclaimed)</td>
<td>4%</td>
<td>3 5%</td>
</tr>
<tr>
<td>Road vehicles</td>
<td>2%</td>
<td>4 4%</td>
</tr>
<tr>
<td>Miscellaneous manufactured articles, n.e.s.</td>
<td>2%</td>
<td>5 4%</td>
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