

Socially Responsible Bank of the Year ANZ

Why they won: Strong across all categories that make up the award, particularly impressive in the areas of the environment and low-income earners

We are a nation of bank bashers but in reality Australia's banks stand out as the most socially responsible in the world. "Australian banks are finding new ways to reach out to indigenous and low-income communities, and their action on climate change stands out compared to other industries," says judging panel chair Mara Bun (see panel list).

Indeed, on a world scale our banks are institutions we can all be proud of.

"The strength of the Australian banks (at least the largest) is now obvious to all," says judge Francis Grey. "What matters is how they maintain that leadership edge. Success can breed complacency – and continued achievement will be marked by the ability to restlessly push forward. The leadership challenge of this year will be how responsibly these leading banks now treat their considerable pricing



“The leadership challenge will be how responsibly these leading banks now treat their considerable pricing power”

power in the Australian market.”

ANZ, Westpac and NAB are among the 30 Dow Jones Sustainability Index banking leaders chosen from among 300 banks worldwide. ANZ is rated number one and Westpac is considered to be very close behind as number two in this group of 30 leading banks.

But that is not to say they cannot do better, particularly in providing environmentally friendly products. And the new challenge is supporting customers in a global economic downturn. To judge this award *Money* invited submissions detailing initiatives, programs and products the banks had in place for young, low-income earners, indigenous Australians

THE PLACEGETTERS

- 1 ANZ
- 2 NAB
- 3 Westpac

and the environment. We also asked them about their responsible lending policies and practices and their responsible fee structure and credit management.

All four of the big banks entered and *Money* also received some entries from smaller institutions, including the Savings and Loans Credit Union, which got a tick of approval from the judging panel for showing that size is not a

barrier. Indeed, in the scoring for the award S&L was ahead of one of the Big Four.

"They may be small but they are very targeted in what they do," says Elsa Atkins. The panel singled out S&L's involvement in the Red Cross Breakfast club program and its Green car loan product for praise. All submissions were of a high standard, reflecting the seriousness with which the banks view these awards. The overall winner is ANZ.

"We congratulate the ANZ for taking indigenous engagement seriously, providing world-class support for low-income earners by helping them to save and manage their money confidently, and significantly supporting renewable energy with project finance," Bun says.

In particular the judges were impressed by ANZ's extension of its commitment to indigenous employment by lifting employment targets to 10% of entry-level jobs in its branches (352 jobs) by the end of 2011. Its Saver Plus program for low-income earners, where ANZ matches every \$1 saved up to \$1000 per person towards education expenses, was also praised.

In its submission ANZ pointed out that a 2008 study conducted by RMIT found that Saver Plus "has the highest level of success of

any international matched savings programs" with 96% of participants meeting or exceeding their savings goals and about 70% of past participants saving the same or more, two to three years after completing the program.

ANZ also earned a tick for its development of environmentally responsible products and services. In New Zealand it partnered with Energy Smart to provide interest-free or discounted loans to customers for energy efficiency measures in older houses. Judges hope there will be a similar initiative in Australia.

NAB was the rising star, taking second place overall. The judges praised its high-level commitment to indigenous Australians, in particular the initiative, outlined in its submission, of "having a dedicated team of six community finance and indigenous affairs experts who sit in the office of the CEO and are responsible for the strategic development and management of all initiatives". On low-income earners NAB, according to its submission, put an impressive \$130 million into its micro-finance programs over the past six years, as well as an annual operating budget of over \$3 million.

Westpac, coming in third, scored well for its Westpac Assist program, started in November 2007. This is a free telephone-based service from a team of specialists to support customers experiencing financial hardship. In October 2008, after the St George merger, the service was extended to its customer base.

"Work around financial hardship has ramped up in recent months due to the changing economic environment and recent expansion of Westpac Assist to provide direct support to small- to medium-business customers," the Westpac submission says.

Last November a formalised referral and link with financial counsellors was established, including a dedicated inbound line for counsellors to call in and work through solutions for customers on their behalf. PAM WALKLEY



WHAT HOPE FOR SOCIAL RESPONSIBILITY? Comment from Mara Bun, chair of the judging panel:

Australia's banks stand out as the most socially responsible in the world. Our banks also stack up as some of the world's most profitable, and have weathered the global financial storm well compared with European and Wall Street financial institutions.

Before the global downturn our banking market was dominated by major banks – it was much more concentrated than other Western economies. The credit crunch knocked out the non-bank lenders that helped to drive interest rates down since the mid-1990s, and mergers reduced competition further. Meanwhile the government offered generous deposit protection, bolstering bank balance sheets just as competition withered.

The global financial crisis is reversing the benefits of finance-sector deregulation unleashed by the Hawke and Keating governments decades ago. Back then consumers were promised lower net interest rate margins (the difference between

what a bank earns from loans and pays to depositors) in exchange for the plethora of fees that we've all got used to paying. According to Fujitsu Consulting, the level of fees and charges makes our banks the most expensive in the Western world.

With limited competition and more market power than ever, the four major banks left standing are now growing their net interest rate margins and are resisting passing on RBA (Reserve Bank) rate cuts. Meanwhile, fee levels remain at record levels, at a time when ordinary Australians confront rising unemployment.

Yes, compared with other industries Australian banks have reached out to indigenous and low-income earners as well as taking action on climate change. They are to be congratulated for this.

However, if banks don't lift their game when it comes to the financial bottom line for consumers, the public will demand regulation. Governments may see this as the only socially responsible way forward.

THE JUDGING PANEL

ELSA ATKINS: Company director and cultural management consultant. Formerly executive director of the National Trust for 12 years.

MARA BUN: CEO Green Cross Australia and panel chair. Previous posts include roles as research director at Cannex and CFO of Greenpeace Australia.

FRANCIS GREY: Research manager Sustainable Asset Management co-ordinating the Australian and NZ research process behind the publication of the DJSI (Dow Jones Sustainability Index).

CHERYL KERNOT: Director of teaching and learning at the

Centre for Social Impact at the University of NSW. Following her political career she spent five years in the UK in senior academic roles.

DEIRDRE MASON: Chair of the NSW Premier's Council for Women and has had a heavy involvement in community

affairs. A former director of corporate affairs for Telstra.

IN-HOUSE PANEL MEMBERS: The panel also included Steve Mickenbecker, head of research for Canstar Cannex, Pam Walkley, editor-in-chief of *Money* and Effie Zahos, editor of *Money*.