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ANZ enhances governance standards

The ANZ Board today announced measures to enhance ANZ's corporate governance procedures following a review of best practice by the ANZ Audit Committee.

ANZ Chairman Mr Charles Goode said the new measures would further strengthen ANZ's already high standard of corporate governance, disclosure and transparency.

A number of measures will be introduced to enhance governance, including plain English disclosure and expansion of discussion on critical accounting policies in ANZ's published results, disclosure of off-balance sheet structures and restrictions on the services that may be provided by its auditor.

The review established clear definitions as to which services may or may not be provided by ANZ's auditor (see attachment). These fall into three categories:

- The auditing firm may provide audit and audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor.
- The auditing firm should not provide services that are perceived to be materially in conflict with the role of auditor.
- The auditing firm may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of auditor, subject to the approval of the ANZ Audit Committee.

ANZ Audit Committee Chairman, Mr John Dahlsen commented: "The Board wishes to ensure ANZ has the highest standards of corporate governance. This review demonstrates in a very tangible way the importance we place on open and transparent disclosure, on appropriate accounting policies, and ensuring the ANZ audit is conducted without conflict of interest."

ANZ does not plan to put its audit out to tender at this time.

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ANZ Policy on Auditing and Non-auditing Services

This policy defines the services that may or may not normally be conducted by ANZ's external auditing firm. Implicit in this policy are the principles that:

The auditing firm may provide audit and audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor. These include audit related services, and regulatory and prudential reviews requested by the Bank's regulators. Examples are:

- Financial audits
- Audits of regulatory returns (eg. APRA)
- Reviews undertaken for regulatory purposes (eg. APRA Targeted Review)
- Other prudential audits or reviews
- Completion audits
- Audit for dealers' licenses

The auditing firm should not provide services that are perceived to be materially in conflict with the role of auditor. These include investigations and consulting advice and subcontracting of operational activities normally undertaken by management, and where the auditor may ultimately be required to express an opinion on its own work. Examples are:

- Investigating accountant work on new or increased lending transactions
- Due diligence on potential acquisitions or investments
- Advice on deal structuring and assistance in deal documentation
- Tax planning and strategy
- Designing or implementing new IT systems or financial controls
- Advice on product structuring
- Book-keeping
- Valuations
- Executive recruitment and appointments
- Senior Management secondments

The auditing firm may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of auditor, subject to the approval of the ANZ Audit Committee. The ANZ Audit Committee will specifically confirm activities in this category. Examples are:

- Receiver or liquidator and related investigation work
- Junior secondments to ANZ
- Internal audit activities capped at 20% of total internal audit work
- Advice on appropriate accounting standards
- Review of legislation and advice on its application to ANZ
- Compilation of accounting records to assist with queries from revenue authorities
- Tax compliance services
- Review of the adequacy of controls and recommendations for improvements.

An exception can be made to the above policy where the variation is in the interests of the Group and arrangements are put in place to preserve the integrity of the audit of the Group's accounts. Any such exception requires the specific approval of the Board.