

19 November 2018

Mr Tim Wilson MP
Chair of the Standing Committee on Economics
House of Representatives
Parliament House
Canberra ACT 2600

By email: economics.reps@aph.gov.au

Dear Mr Wilson

We refer to the appearance before the Committee of Mr Shayne Elliott and Ms Alexis George on 12 October 2018. We would like to clarify the testimony on certain topics.

Remediation

At page 10 of the draft Hansard transcript, Mr Elliott indicated that the leader of the specialist team for remediation reports to an executive subject to the Banking Executive Accountability Regime (**BEAR**). For clarity, it is this leader's manager who reports to an executive directly subject to the BEAR. Under BEAR, that executive is accountable for the work of the team.

At page 14, Mr Elliott stated that ANZ had fixed the issues covered in a March media report to which Mr Keogh referred. We wish to confirm that the vast majority of these issues have been fixed with the remaining issues in the process of being resolved or reviewed.

At page 15, Mr Elliott noted that of the '347' (referring to ANZ's provision for remediation), the bulk was not refunds but actually costs. We wish to clarify that, as announced to the ASX on 8 October 2018, ANZ has recognised charges of \$374 million for refunds to customers and related remediation costs. Approximately 57% relates to customer refunds impacting revenue, with the balance relating to remediation costs recorded as an expense.

At page 20, there was reference to the number of customers who are affected by remediation matters. We wish to clarify that this number likely exceeds the figure referred to. For detail on the customers and accounts affected by remediation matters, we would refer the Committee to our submission to the Royal Commission dated 13 February 2018.ⁱ

Accountability

At pages 2 and 3 of the draft Hansard, there is discussion of dismissals of senior executives for misconduct. Mr Elliott indicated that those executives reported to him 'or perhaps another layer down'. We wish to clarify that there were three executives dismissed for misconduct in the 12 months to 30 September 2018. Two of these executives reported to direct reports of a member of the Executive Committee. The third executive reported to a manager several layers below Mr Elliott.

At page 20 and 21 of the draft Hansard, there is discussion of the referral to the police of employees who have broken the law, with the potential implication that referral always occurs. We wish to clarify that, for internal fraud, there is discretion about such referrals.



Remuneration

At page 5 of the draft Hansard, there is an indication that ANZ has not had revenue or sales as a target within its group scorecard for the CEO or senior management in the last three years. To clarify, there have been a small number of sales or revenue related targets in the group scorecard for the 2017 and 2018 financial years and there is one sales related measure that is in the draft group scorecard for the 2019 financial year. These primarily relate to the percentage of customers using digital channels. In addition to being subject to the group scorecard, all senior executives have individual scorecards and, for certain senior executives, these contain revenue targets.

At page 7, there is discussion about financial metrics including the indication that ANZ does not have numeric targets for branches or tellers. We confirm that ANZ tellers do not have numeric targets in the sense of specific numbers of products. Their scorecard does, however, contain a financial metric relating to referrals. Other customer facing and frontline staff members, including managers, have scorecards that contain sales related metrics.

At page 8, Mr Elliott observed that if a staff member is not meeting the minimum requirements around behaviour, values and conduct, then they shouldn't be eligible for a bonus. We would like to clarify that eligibility for a bonus is predicated upon a staff member achieving an overall performance rating of 'good' or above. It is possible to achieve a 'good' rating in cases where the staff member has not consistently demonstrated ANZ's values. However, whether a bonus is paid remains subject to management discretion.

Small business contracts

At page 28 of the draft Hansard, Mr Evans asked if the previous practice of being able to unilaterally change contract terms in small business loans is 'definitely now impossible.' For clarity, we note that the prior ability to unilaterally vary a contract at the complete discretion of ANZ has been removed. ANZ retains the right to be able to vary such contracts in specified circumstances on stated notice periods.

Please let us know if we can assist the Committee with anything further.

Yours sincerely

Rob Lomdahl
Head of Public Policy

ⁱThe relevant part of this submission is available at:

<https://financialservices.royalcommission.gov.au/Submissions/Documents/initial-response/RCD.0001.0035.0088.pdf>