



30 April 2020

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](mailto:economics.reps@aph.gov.au)

Dear Mr Wilson

### **IMPLEMENTATION OF HAYNE RECOMMENDATIONS AND RESPONSE TO COVID-19 PANDEMIC**

I refer to the Committee's letter of 2 April 2020 requesting written updates on the measures that ANZ has taken in response to the COVID-19 pandemic and ANZ's progress in implementing the recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the Royal Commission).

ANZ has focused its resources and our organisation on supporting our customers and communities, our employees and the Australian economy during the COVID-19 pandemic. We believe it is strongly in the interests of both customers and the bank that we take a long term view, and work closely with customers in a flexible and responsive way.

- On 20 March 2020 we announced our principal consumer and small business response, based on up to six-month repayment deferrals for impacted customers. We have received assistance requests for around 105,000 home loan and 42,000 business loan repayment deferrals.<sup>1</sup>
- We also announced on 20 March 2020 that we would increase overdraft limits for 12 months by up to 10% for small and medium (SME) business customers who needed temporary working capital, including to retain employees.
- We have offered under the SME Guarantee Scheme new three-year unsecured business loans of up to \$250,000, and six-month business overdrafts of up to \$250,000.
- We have commenced a public campaign to support the JobKeeper scheme and will provide a six-month overdraft to existing customers, sized to their requirements based on the JobKeeper calculation. This is supported by a dedicated 'JobKeeper Assistance Hotline'.
- We have continued to work closely with institutional customers that have been affected. We have provided additional loan limits to our large Australian corporate clients through our Institutional business to help them retain jobs, maintain operations and pay suppliers, including small businesses.
- We have instituted work from home arrangements for around 95 per cent of our non-branch employees. New measures have been introduced for employees who need to come to work, with protective equipment and social distancing introduced in bank

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<sup>1</sup> Refer ANZ 2020 Half Year Results Presentation and Investor Discussion Pack at <https://www.anz.com/shareholder/centre/>. Home loans as at 24 April and business loans as at 20 April 2020.

#### **Chief Executive Officer**

Level 10, ANZ Centre Melbourne, 833 Collins Street, Docklands Vic 3008, Australia  
Phone: +61 (0) 3 8654 4488 | Email: [Shayne.Elliott@anz.com](mailto:Shayne.Elliott@anz.com)  
[Australia and New Zealand Banking Group Limited](#) ABN 11 005 357 522

branches. We have introduced 10 days' paid coronavirus-related special leave, and have provided a one-off payment to junior and mid-level employees as a contribution towards working from home expenses.

- We have also donated \$1.5 million to three of our charity partners to provide additional support to some of the country's most disadvantaged who are affected by COVID-19. The Brotherhood of St Laurence, The Smith Family and the Financial Counselling Foundation will each receive \$500,000.

During March 2020, we also decreased variable interest lending rates for home loan customers by between 0.40% and 0.50%pa and for small business customers by 0.50%pa, and introduced low fixed-rate loans for home loan and business customers. These rate reductions support all of our customers at a time of economic difficulty.

In relation to the Royal Commission, ANZ has completed the implementation of the four recommendations able to be implemented directly by banks. Since our 1 November 2019 letter, we have completed the implementation of the 15 Sedgwick recommendations that can be given effect by individual banks at this time.

As noted in my 1 November 2019 letter, we have also changed how we pay ANZ staff to reduce the risk of outcomes that are not in our customers' best interests. Board and management oversight of accountability and governance has increased, and we have introduced new Accountability and Consequence Principles. We have also published principles about how we will treat family farmers in financial distress and implemented related Banking Code of Practice requirements.

Customer remediation continues to be a major focus for ANZ. As at the end of March 2020, our Retail and Commercial Responsible Banking team has remediated over 1.5 million customer accounts and issued refunds of \$134 million. Our Wealth Division has reviewed nearly 48,000 cases in total and made payments of \$109.4 million.

Finally, I would like to acknowledge the work of the Government, banking regulators and the Reserve Bank of Australia, state governments and many others, managing both the public health and economic dimensions of Australia's response to the pandemic. Outcomes in Australia have been remarkably successful and the Government now has the opportunity to consider options that are not available in other countries for a safe return to more normal conditions.

ANZ will continue to work cooperatively and flexibly to support our customers and the next phases of the Government's COVID-19 response, and the completion of the implementation of the recommendations of the Royal Commission.

Further detail on the measures we have taken to support our customers, employees and the wider community, and a status report are contained in the Annexures to this letter.

Yours sincerely,

Shayne Elliott

**CHIEF EXECUTIVE OFFICER**

Annexure: ANZ Royal Commission Implementation  
ANZ COVID-19 Response

30 APRIL 2020

**ROYAL COMMISSION  
UPDATE**

IMPLEMENTATION  
OF HAYNE  
RECOMMENDATIONS



## IMPLEMENTATION OF HAYNE ROYAL COMMISSION RECOMMENDATIONS

This overview provides an update on ANZ's progress in implementing the recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (**Royal Commission**) as at 30 April 2020. It also provides a summary of our remediation work to date.

### OVERVIEW OF ROYAL COMMISSION IMPLEMENTATION

We have been determined to take action on both the spirit and the letter of the Royal Commission. ANZ has made the changes that it can to respond to the four recommendations that Commissioner Hayne directed at banks (recommendations 1.14, 5.4, 5.5 and 5.6).<sup>1</sup> In relation to these recommendations, ANZ has:

- Changed how we pay people across the ANZ Group to reduce the risk of outcomes that are not in our customers' best interests. We have replaced individual performance-based bonuses with a Group performance-based bonus for approximately 80% of employees and reduced the emphasis on variable remuneration (recommendation 5.4)
- Implemented all 15 Sedgwick Review recommendations that can be implemented by individual banks at this time (recommendation 5.5)<sup>2</sup>
- Strengthened ANZ Group Board and management oversight particularly in relation to accountability and governance, and introduced new Accountability and Consequence Principles (recommendation 5.6)
- Published principles about how we will treat family farmers in financial distress, including a position that enforcement is a measure of last resort after other reasonable options have been explored (recommendation 1.14).<sup>3</sup>

Since our November 2019 update, we have implemented the remainder of the Sedgwick Review recommendations that can be addressed by individual banks at this time.

These changes are part of the wider ANZ response to the Royal Commission. On 20 February 2019, we announced sixteen commitments responding to a number of Commissioner Hayne's recommendations and comments, and our understanding of what the community expects of us following the Commission.

Our progress against the four recommendations directed at banks is set out in greater detail below. We also set out below our progress against the recommendations directed at the Australian Banking Association (recommendation 1.8 – Amending the Banking Code and recommendation 1.13 - Charging default interest). A fuller accounting of our progress against the sixteen commitments we made in February 2019 is set out in the annexure.

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<sup>1</sup> An earlier version of this update published on 30 April 2020 stated "ANZ has made the changes that it can to respond to the spirit and letter of the Royal Commission". We have clarified this statement because five of the sixteen ANZ commitments set out in the Annexure are not completed yet. Of those remaining, Commitment 9, 10 and 11 are dependent on the finalisation of the Financial Accountability Regime; Commitment 15 is dependent on the finalisation of the draft legislation released by the Australian Government on 31 January 2020; and Commitment 8 is in progress as we continue to assess culture and identify where changes are required. We note that recommendation 5.6 requires the ongoing review of our culture.

<sup>2</sup> The Sedgwick Retail Banking Remuneration Review relates to the ANZ Retail and Commercial business.

<sup>3</sup> Refer to <https://www.anz.com.au/business/industries/agribusiness/farm-debt-mediation-commitment/>. The eight principles apply when managing business lending to family farming customers in financial distress and requiring the management of our Lending Services team (Australia). ANZ New Zealand Lending Services is also aware of these principles and will ensure that it acts in accordance with their spirit and intent.

## CHANGING HOW WE PAY PEOPLE

### **Recommendation 5.4 – Remuneration of front line staff**

*All financial services entities should review at least once each year the design and implementation of their remuneration systems for front line staff to ensure that the design and implementation of those systems focus on not only what staff do, but also how they do it.*

### **Recommendation 5.5 – The Sedgwick Review**

*Banks should implement fully the recommendations of the Sedgwick Review.*

## OUR RESPONSE

As noted in our previous update on 1 November 2019, ANZ changed how we pay people across the ANZ Group, effective from 1 October 2019. The October 2019 remuneration structure:

- Replaces individual performance-based bonuses or other previous arrangements with a Group performance-based bonus for approximately 80% of employees.<sup>4</sup> Around 20% of employees, who have a higher impact on our performance, will continue to receive bonuses based on business and individual performance in addition to the Group performance component
- Reduces the emphasis on variable remuneration and increases the emphasis on fixed remuneration. Around one third of the target variable remuneration pool has shifted to fixed remuneration
- Bases performance management on 'How' we work (ANZ values and leadership behaviours for leaders) and 'What' we deliver (financial, risk, customer and people), with the two components equally important
- Sets minimum standards of behaviour and performance gateways to determine eligibility to receive any variable remuneration and applies consequences when standards are not met.<sup>5</sup>

The new remuneration arrangements outlined in the first two points do not apply to BEAR Accountable Persons or other executives whose remuneration may be subject to APRA regulation.

ANZ undertakes an annual review of the Group Remuneration Policy (including the effectiveness of our remuneration arrangements), with the most recent annual review completed in February 2020.

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<sup>4</sup> The Group performance-based bonus ('Group Performance Dividend') is not a guaranteed payment. It will vary according to assessed performance taking into account the perspectives of risk and reputation, financial, customer and people.

<sup>5</sup> The 2019 ANZ Annual Report disclosed information on the number of warnings, impacts to performance or remuneration outcomes and cessation of employment applying to senior leaders and employees. At the senior leadership level, 30 current or former senior leaders had a formal consequence applied in 2019 for Code of Conduct breaches or findings of accountability for a material event, or otherwise left the bank after an investigation had been initiated. The 30 employees represent ~ 1% of the senior leader population.

In relation to the Sedgwick Review, we have now implemented all 15 recommendations that can be implemented by individual banks at this time.<sup>6</sup>

Please refer to Commitments 5 and 6 in the annexure.

## **STRONGER GOVERNANCE AND ACCOUNTABILITY**

### ***Recommendation 5.6 – Changing culture and governance***

*All financial services entities should, as often as reasonably possible, take proper steps to:*

- *assess the entity’s culture and its governance;*
- *identify any problems with that culture and governance;*
- *deal with those problems; and*
- *determine whether the changes it has made have been effective.*

## **OUR RESPONSE**

This recommendation requires that banks take ongoing actions to assess and improve their culture and governance. As noted in our 1 November 2019 update, key actions that we have taken included:

- Introducing a strengthened Accountability and Consequence Framework in June 2019, expanded disclosure of senior management consequences and strengthened operation of the Consequence Review Group chaired by the CEO<sup>7</sup>
- Establishing a Royal Commission and Self-Assessment Oversight Group overseeing an integrated response to the Royal Commission and APRA Self-Assessment
- Continuing assessment of ANZ’s culture through oversight by the Board and the Enterprise Culture Steering Group. Since our November 2019 update, we have conducted another six Internal Audit cultural reviews or re-assessments, incorporating data from 3,442 employees (average 68% completion rate)
- Dedicated part of the Board’s agenda to customer satisfaction, complaints and remediation, regulatory changes impacting customers, and ANZ’s approach to marketing and specific marketing initiatives
- Promoted a strong ‘speak up’ culture to provide a safe environment for such a culture, and recognition by managers of exemplary risk and audit behaviours.

Since November, we have reviewed the effectiveness of the Accountability and Consequence Framework and, as a result, have increased guidance to our businesses and their Divisional Consequence Review Groups; for example, about the matters that require a full accountability review.

ANZ has addressed recommendation 5.6 by establishing processes to assess and improve our culture and governance. We recognise that this is an ongoing process, and we will

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<sup>6</sup> Of the 21 Sedgwick recommendations, six have dependencies on industry or government processes. These relate to determining customer centric measures (recommendation 5), changes to aggregator, mortgage broker or franchise remuneration (recommendations 18 and 21), future reviews by the ABA (recommendations 15 and 19), and the overall implementation deadline (recommendation 1).

<sup>7</sup> Refer footnote 4.

continue to act on Commitment 8 to ensure we identify and deal with any problems with our culture and governance.<sup>8</sup>

Please refer to Commitments 7 and 8 in the annexure.

## **HELPING FAMILY FARMING CUSTOMERS IN FINANCIAL DISTRESS**

### ***Recommendation 1.13 – Charging default interest***

*The ABA should amend the Banking Code to provide that, while a declaration remains in force, banks will not charge default interest on loans secured by agricultural land in an area declared to be affected by drought or other natural disaster.*

### ***Recommendation 1.14 – Distressed agricultural loans***

*When dealing with distressed agricultural loans, banks should:*

- *ensure that those loans are managed by experienced agricultural bankers;*
- *offer farm debt mediation as soon as a loan is classified as distressed;*
- *manage every distressed loan on the footing that working out will be the best outcome for bank and borrower, and enforcement the worst;*
- *recognise that appointment of receivers or any other form of external administrator is a remedy of last resort; and*
- *cease charging default interest when there is no realistic prospect of recovering the amount charged.*

## **OUR RESPONSE**

Recommendation 1.13 was directed at the ABA and was addressed with the revisions to the Banking Code of Practice that came into effect on 1 March 2020.

As noted in our 1 November 2019 update, to address recommendation 1.14, and to support the implementation of recommendation 1.13, we have published eight principles. Under these principles, we:

- Will not charge default interest on the customer's loan facilities if the farmer is farming in an area that has a drought or natural disaster government declaration in force
- Undertake that our Lending Services team has specialist Agri bankers
- Will offer early mediation within 90 days of the banking relationship being managed by the ANZ Lending Services team. Due to COVID-19, we have temporarily paused making offers of early farm debt mediation
- Will offer farm debt mediation prior to enforcement action being taken including in States and Territories where there is currently no legislative scheme
- State that we believe that enforcement is a measure of last resort after other reasonable options have been explored with the farmer and that early engagement is in the best interest of all and will likely result in a better outcome.

In respect of the last element of recommendation 1.14, we have an existing practice that when dealing with distressed farmer loans we do not charge default interest when there is no realistic prospect of recovering the amount charged.

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<sup>8</sup> We note that this paragraph was not included in the update published on 30 April 2020. We have included it to make our position on recommendation 5.6 clear.

Please refer to Commitment 4 in the annexure.

## **BETTER PROTECTIONS FOR CONSUMERS**

### ***Recommendation 1.8 – Amending the Banking Code***

*The ABA should amend the Banking Code to provide that:*

- *banks will work with customers:*
  - *who live in remote areas; or*
  - *who are not adept in using English,*
- *to identify a suitable way for those customers to access and undertake their banking;*
- *if a customer is having difficulty proving his or her identity, and tells the bank that he or she identifies as an Aboriginal or Torres Strait Islander person, the bank will follow AUSTRAC’s guidance about the identification and verification of persons of Aboriginal or Torres Strait Islander heritage;*
- *without prior express agreement with the customer, banks will not allow informal overdrafts on basic accounts; and*
- *banks will not charge dishonour fees on basic accounts.*

## **OUR RESPONSE**

Recommendation 1.8 was directed at the ABA and was addressed with the revisions to the Banking Code of Practice that came into effect on 1 March 2020. To support the implementation of this recommendation, we have:

- Established a dedicated Aboriginal and Torres Strait Islander (**ATSI**) telephone service that includes a TextMe SMS message to provide identified ATSI customers with a dedicated telephone number
- Introduced a new referee form from 1 May 2019 to make it easier for indigenous customers to prove their identity
- Revised our security questions to make them more relevant and easily understood by ATSI customers (these revisions took into account feedback from ANZ’s Indigenous Advisory Group)
- Removed overdrawn and dishonour fees on our Pensioner Advantage account.

Please refer to Commitments 1.1 and 2 in the annexure.



## OUR OTHER ROYAL COMMISSION COMMITMENTS

The annexure sets out other commitments that we made in February 2019. As noted in our 1 November 2019 update, we have:

- Contacted consumer credit card customers who are carrying persistent debt and paying little off to offer lower rate cards or instalment payments to assist them to pay their debt faster (Commitment 3.1)
- Contacted customers in receipt of eligible Centrelink or Veterans' Affairs benefits to offer low-cost basic bank accounts (Commitment 3.2)
- Reported on how we are fixing our significant failures in our Annual Report, including the nature of the issues and our progress on paying customers back (Commitment 12)
- Released Dispute Resolution Principles, incorporating model litigant guidelines, on 15 April 2019 (Commitment 13)
- Made changes to how we provide financial advice. In May 2019, we announced that we would cease to offer our ongoing fee financial advice service to new customers and phase it out over 18 months for existing customers (Commitments 15 and 16).

From 1 April 2019, we removed grandfathered commissions in relation to ANZ Financial Planning (our salaried planners) and are now rebating grandfathered commissions to customers.<sup>9</sup> Prior to its sale to IOOF Holdings Limited, we wrote to all customers of the OnePath Superannuation business where grandfathered commissions were being deducted from their account. We encouraged them to ensure they were receiving appropriate services from their financial adviser and remind them that they can advise the fund to cease paying commissions immediately without having to notify their financial adviser.

Colin Neave, former Commonwealth Ombudsman and our first Customer Fairness Adviser (appointed in 2016), was asked to review individual ANZ cases highlighted at the Royal Commission, taking action where appropriate to resolve matters. Mr Neave has reviewed all cases. ANZ has taken action and responded to the review process.

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<sup>9</sup> ANZ has completed the sale of a number of wealth businesses. The sale of ANZ's life and general insurance businesses, OnePath Life Limited and OnePath General Insurance Pty Limited, to Zurich Financial Services Australia Limited completed on 31 May 2019. The sale of ANZ's Pensions & Investments business to IOOF Holdings Limited was completed on 31 January 2020. The sale of ANZ's aligned financial planning businesses to IOOF Holdings Limited completed on 1 October 2018. ANZ's remaining wealth businesses including ANZ Financial Planning and ANZ Lenders Mortgage Insurance have been transferred to the Australia Retail and Commercial Division.

## CUSTOMER REMEDIATION

Fair, responsible and efficient customer remediation is a focus for the bank, with significant investment being made across our Australia Retail and Commercial Division and Wealth business. We have acknowledged the importance of fixing the mistakes of the past and returning money owed to customers as quickly as possible. As at 31 March 2020:

- We are currently resolving identified fee or interest discrepancies with over 3.7 million Retail and Commercial customers. To date our Retail and Commercial Responsible Banking team has remediated over 1.5 million customer accounts and issued refunds of \$134 million<sup>10</sup>, of which \$72 million was paid out to customers in the six months to the end of March 2020.
- In Wealth:
  - We continue to identify instances of inappropriate advice to customers. Over 10,000 advice cases, spanning more than a decade, have been reviewed
  - As previously reported, cases relating to ANZ Financial Planning fee for no service have now been remediated
  - As part of the sale of the Aligned Dealer Group (ADG) businesses to IOOF (effective 1 October 2018) responsibility for the remediation of inappropriate financial advice and fees for no service was retained by ANZ. Management responsibility for these remediation programs remains with the Wealth Customer Resolution Team
  - Across these programs of work (inappropriate advice and fees for no service) Wealth has reviewed nearly 48,000 cases in total and made payments of \$109.4 million as at 31 March 2020. This amount takes into account all of the above remediation matters, including ANZ Financial Planning fees for no service (GOLD) which is pre-2017. It also includes payments made to customers of the ADG related matters.<sup>11</sup>
- Across ANZ, there are over 1,000 people progressing remediation activities
  - At the end of March 2020 our Australian Retail and Commercial Responsible Banking team had increased the number of people working on large scale customer remediation matters to over 320
  - More than 570<sup>12</sup> people throughout the Australian Retail and Commercial business are also working on a number of smaller customer remediations, fixes and investigations
  - The dedicated Wealth team now maintains around 170 people to support remediation matters.
- We continue to deliver an internal education program to share 'lessons learnt' and to highlight the impacts on customers when we fail. We are seeking to build a collective

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<sup>10</sup> In certain instances ANZ makes:

- a community service payment in lieu of a payment to a customer account (at March 2020, charity payments were made for ~129,000 accounts totalling ~\$437,000); or
- the customer payment via cheque (at March 2020 cheques were issued for ~260,000 accounts totalling ~\$26 million. A proportion of these cheques remain unrepresented).

<sup>11</sup> These numbers include remediation projects ANZ is currently performing on behalf of IOOF Holdings Limited.

<sup>12</sup> Figures correct as at 29 February 2020

understanding of the root causes and shared accountability for the prevention of future issues.

Previously we reported that the cumulative total cost of remediation over the period from 2017 to 2019 was \$1,579 million (Wealth discontinued operations component of this amount was \$422 million and continuing operations component of this amount was \$1,157 million). During the 6 months ended 31 March 2020 ANZ announced a further charge of \$253 million (Wealth discontinued operations component of this amount was \$124 million and continuing operations component of this amount was \$129 million).

## **CONCLUSION**

ANZ has completed the implementation of Royal Commission recommendations that were directed at banks.<sup>13</sup> We will act to implement further reforms swiftly and effectively when the legislative, regulatory and industry implementation of Royal Commission reforms resumes.

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<sup>13</sup>An earlier version of this update published on 30 April 2020 stated "ANZ has completed the implementation of Royal Commission recommendations that are able to be implemented by banks". We have amended this sentence for the same reason provided in Footnote 1.

# ANNEXURE – ANZ ROYAL COMMISSION COMMITMENTS

These sixteen commitments were made on 20 February 2019 in response to the release of the Final Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

Commitment	Why we made the commitment	Where we are up to
<b>Retail customers</b>		
1. Make our products fairer and better matched to our customers by:		
1.1. Removing overdrawn and dishonour fees on our Pensioner Advantage account	Commissioner Hayne's <b>recommendation 1.8</b> was that the Australian Banking Association ( <b>ABA</b> ) should amend the Banking Code of Practice 2019 ( <b>Banking Code</b> ) to, among other things, provide that banks: <ul style="list-style-type: none"> <li>• Without prior express agreement with the customer, will not allow informal overdrafts on basic accounts; and</li> <li>• Will not charge dishonour fees on basic accounts.</li> </ul>	We have completed this commitment.  Recommendation 1.8 was addressed with the ABA revisions to the Banking Code of Practice that came into effect on 1 March 2020.  Informal overdrafts on basic accounts: ANZ does not load overdraft limits on ANZ Access Basic and Pensioner Advantage accounts and this continues to be the case. Circumstances where it is not reasonably possible or practical to prevent an account from becoming overdrawn are considered by the revised Banking Code of Practice.  Dishonour fees on basic accounts: We have completed this commitment by removing the overdrawn and dishonour fees on our Pensioner Advantage account.
1.2. Accelerating work on how we design and distribute products so that customers get products that meet their needs	In response to the Royal Commission's Final Report, <b>the Government agreed to extend the design and distribution obligations</b> in the Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Bill 2018 to products regulated by the <i>National Consumer Credit Protection Act 2009</i> (Cth) and the <i>Australian Securities and Investments Commission Act 2001</i> (Cth). This amendment passed in 2019. The design and distribution obligations in the new Part 7.8A of the <i>Corporations Act 2001</i> (Cth) will commence in April 2021.	Our work on how we design and sell our products and the use and value which customers get from them includes programs to contact customer groups who may benefit from alternative arrangements (see commitments 3.1 and 3.2 below).  A dedicated project team has been formed and commenced work on how best to implement the design and distribution obligations, including in light of draft guidance from the Australian Securities and Investments Commission released in December 2019.

Commitment	Why we made the commitment	Where we are up to
2.1. Setting up a dedicated phone service that will help Aboriginal and Torres Strait Islander customers manage their banking	<b>Commissioner Hayne encouraged banks</b> , at page 93 of the Royal Commission's Final Report, to develop a telephone service to assist Aboriginal and Torres Strait Islander peoples (and others living in remote areas) to access their banking.	<p>We have completed this commitment by establishing a dedicated Aboriginal &amp; Torres Strait Islander Telephone service from 1 May 2019.</p> <p>The service is staffed by bankers trained in indigenous cultural awareness and assisting vulnerable customers.</p>
2.2. Giving Aboriginal and Torres Strait Islander customers easier options to prove their identity when opening and using a bank account	Commissioner Hayne's <b>recommendation 1.8</b> was that the ABA should amend the Banking Code to provide that, among other things, if a customer is having difficulty proving his or her identity, and tells the bank that he or she identifies as an Aboriginal or Torres Strait Islander person, the bank will follow AUSTRAC's guidance about the identification and verification of persons of Aboriginal or Torres Strait Islander heritage.	<p>Recommendation 1.8 was addressed with the ABA revisions to the Banking Code of Practice that came into effect on 1 March 2020.</p> <p>We have completed this commitment by introducing a new referee form from 1 May 2019, which makes it easier for indigenous customers to prove their identity.</p> <p>Our security questions have also been revised to make them more relevant to, and easily understood by, Aboriginal &amp; Torres Strait Islander customers. These revisions took into account feedback from ANZ's Indigenous Advisory Group.</p> <p>In addition, in December 2019 we implemented a new process to support on-boarding new to bank Aboriginal &amp; Torres Strait Islander customers. This process enables customers to complete KYC remotely by providing a completed statement by referee via email.</p>

Commitment	Why we made the commitment	Where we are up to
<p>3. Help customers by:</p> <p>3.1. Contacting consumer credit card customers who are carrying persistent debt and paying little off to get them on to lower rate cards and assist them to pay their debt faster</p>	<p>These commitments, which build on in-train work, go to the <b>spirit of Royal Commission process and Final Report</b>. We believe that it is a community standard and expectation that we assist our customers to benefit from our products where we can. We are conscious that we must also take our customers' choices into account when we undertake this type of work.</p>	<p>We have completed this commitment by establishing a process to contact credit card customers who are carrying persistent debt. We provide these customers financial education on how credit cards work and offer assistance plans to help them to pay their debt faster.</p> <p>As at 25 March 2020 we had contacted 18,195 customers, with 4,966 customers responding to our contact. Of those contacted 1,440 customers accepted the offer to transfer to an instalment plan at a reduced interest rate of 7%. A further 1,397 customers appreciated the financial education provided while the remaining 2,115 customers chose to take no action.</p> <p>The program was paused on 19 March 2020 to enable ANZ to respond to COVID-19 with support for our customers. This includes support for credit card customers who are worried about managing their credit card debt.</p> <p>The original program will be reassessed once the situation has settled and we have considered what adjustments to the program are required to ensure we continue to support our customers.</p>

Commitment	Why we made the commitment	Where we are up to
<p>3.2. Contacting customers in receipt of eligible Centrelink or Veterans' Affairs benefits to help them move to low-cost basic bank accounts</p>		<p>We have completed this commitment by establishing a process to contact customers in receipt of eligible Centrelink or Veterans' Affairs benefits to offer them a move to a low-cost basic bank account.</p> <p>As at 19 March 2020, we had contacted 290,791 customers, with 10,296 customers taking up the offer to open a concession account. Further investigation has shown that approximately 70% of customers are unlikely to experience a benefit from moving to a basic bank account as they are currently not paying any fees on their account, or are utilising an overdraft feature not available in the basic bank account.</p> <p>The program was paused on 19 March 2020 to enable ANZ to swiftly respond to COVID-19 with support for our customers, with options that can help our customers through these uncertain times.</p> <p>The original program will be reassessed once the situation has settled and we have considered the implications of recent events and whether any adjustments to the program are required.</p>
<p><b>Farming customers</b></p>		
<p>4. Publish clear principles on how we help farmers including through:</p>		<p>We have completed this commitment by publishing principles outlining the assistance we offer to family farmers in financial distress. The relevant elements of these principles are outlined below.</p>
<p>4.1. Not charging farmers default interest in areas declared to be affected by drought or other natural disasters</p>	<p>Commissioner Hayne's <b>recommendation 1.13</b> was that the ABA should amend the Banking Code to provide that, while a declaration remains in force, banks will not charge default interest on loans secured by agricultural land in an area declared to be affected by drought or other natural disaster.</p>	<p>Recommendation 1.13 was addressed with the ABA revisions to the Banking Code of Practice that came into effect on 1 March 2020.</p> <p>In our principles, we undertake to not charge default interest on a farmer's loan facilities if they are farming in an area subject to a drought or natural disaster government declaration.</p>

Commitment	Why we made the commitment	Where we are up to
4.2. Valuing farm land separately from the loan origination process	Commissioner Hayne's <b>recommendation 1.12</b> was that the Australian Prudential Regulation Authority ( <b>APRA</b> ) should amend its Prudential Standard APS 220 to, partly, require that internal appraisals of the value of land taken or to be taken as security should be independent of loan origination, loan processing and loan decision processes.	In our principles, we undertake that all of our valuations are conducted independently of loan origination to ensure independence between the valuation process and the loan approval process.
4.3. Giving farmers early access to farm debt mediation if they get into difficulties and supporting a national scheme of farm debt mediation	<p>Commissioner Hayne's <b>recommendation 1.14</b> was that banks, when dealing with distressed agricultural loans, should (among other things):</p> <ul style="list-style-type: none"> <li>• Offer farm debt mediation as soon as a loan is classified as distressed; and</li> <li>• Manage every distressed loan on the footing that working out will be the best outcome for bank and borrower, and enforcement the worst.</li> </ul>	<p>In our principles, we undertake that we will offer early mediation to a farmer within 90 days of the banking relationship being managed by our Lending Services team. Due to COVID-19, we have temporarily paused making offers of early farm debt mediation.</p> <p>Before we participate in early mediation, we will inform farmers of their right, as an alternative, to make a complaint to the Australian Financial Complaints Authority (<b>AFCA</b>).</p> <p>The principles also set out that we:</p>
4.4. Reinforcing our preference for working out difficulties over enforcing agricultural loans or appointing an external manager	Commissioner Hayne's <b>recommendation 1.11</b> was that a national scheme of farm debt mediation should be enacted.	<ul style="list-style-type: none"> <li>• support a national farm debt mediation scheme and will always offer farm debt mediation prior to enforcement action being taken, including in states and territories where there is currently no legislative scheme; and</li> <li>• believe that enforcement is a measure of last resort after other reasonable options have been explored. We also believe that early engagement is in the best interest of all and will likely result in a better outcome.</li> </ul>



Commitment	Why we made the commitment	Where we are up to
<b>Remuneration</b>		
<p>5. Redesign how we manage and reward our people to better focus on the interests of our customers, the long-term health of the bank and team, rather than individual, outcomes</p>	<p>Commissioner Hayne's <b>recommendation 5.4</b> was that all financial services entities should review at least once each year the design and implementation of their remuneration systems for front line staff to ensure that the design and implementation of those systems focus on not only what staff do, but also how they do it.</p>	<p>We completed this commitment in 2019 by changing the way we financially reward and manage the performance of our people. These changes include replacing bonuses for the vast majority of employees based on their individual performance with an incentive based on the overall performance of the ANZ Group. We complete an annual review of the Group Remuneration Policy, including the effectiveness of our remuneration arrangements.</p>
<p>6. Continue to implement the recommendations of Mr Stephen Sedgwick, including by responding to any observations on how we can improve</p>	<p>Commissioner Hayne's <b>recommendation 5.5</b> was that banks should implement fully the recommendations of the Sedgwick Review.</p>	<p>We have completed this commitment, with the exclusion of those recommendations that are being managed at the industry level.</p> <p>Recommendations that have industry action dependencies or are directed at the ABA are: 1 – implementation of all recommendations as quickly as possible with completion by 2020; 5 – development of customer centric measures; 15 – independent review in three years; 18 – reform of broker remuneration; 19 – consideration of Australian Securities and Investments Commission powers in the three year independent review; and 21 – examination of franchisee governance and remuneration.</p>

Commitment	Why we made the commitment	Where we are up to
<b>Accountability, culture and governance</b>		
<p>7. Strengthen our accountability and consequence framework so that when things go wrong, we fix them and consistently hold executives to account</p>	<p>Through the Royal Commission process, we identified that we have not consistently held executives to account for significant failings. This <b>commitment responds to the spirit of the Royal Commission process and Final Report</b> that strong executive accountability is needed to meet community standards and expectations.</p>	<p>We have completed this commitment by strengthening our accountability framework. This has included the development of:</p> <ul style="list-style-type: none"> <li>• Consequence management principles that guide a more consistent approach to consequence management across the bank, including impacts on remuneration</li> <li>• Accountability principles that define the various categories of accountability (e.g. direct, indirect, collective)</li> <li>• Accountability review guidance to guide our leaders on when and how to undertake accountability reviews</li> <li>• Expanded disclosure of senior leader accountability.</li> </ul> <p>Our focus now is the ongoing effectiveness of our framework under the oversight of our Consequence Review Group. This is chaired by our Chief Executive Officer.</p>
<p>8. Supplement existing culture audits and ensure we act on identified problems</p>	<p>Commissioner Hayne's <b>recommendation 5.6</b> was that all financial services entities should, as often as reasonably possible, take proper steps to:</p> <ul style="list-style-type: none"> <li>• assess the entity's culture and its governance;</li> <li>• identify any problems with that culture and governance;</li> <li>• deal with those problems; and</li> <li>• determine whether the changes it has made have been effective.</li> </ul>	<p>We are continuing to act on this commitment including by:</p> <ul style="list-style-type: none"> <li>• Acting on problems identified in cultural reviews conducted by our Internal Audit function</li> <li>• Having established an Enterprise Culture Steering Group that meets semi-annually to understand cultural strengths and concerns, as well as actions directed at cultural improvement</li> <li>• Exploring how we can give our leaders feedback on their strengths and development areas</li> <li>• Testing a new framework for understanding and improving our culture.</li> </ul>

Commitment	Why we made the commitment	Where we are up to
9. Allocate specific responsibility to our BEAR executive(s) for our products and complaints about them	Commissioner Hayne's <b>recommendation 1.17</b> was that APRA should require banks to have a responsibility under the Banking Executive Accountability Regime ( <b>BEAR</b> ) for all steps in the design, delivery and maintenance of all products offered to customers by the bank and any necessary remediation of customers in respect of any of those products.	The Government has commenced consultation on the extension to BEAR, to be known as the Financial Accountability Regime (FAR). We will complete these commitments when the law changes for FAR are enacted.
10. Make our BEAR executives explicitly responsible for preventing conduct that harms customers	The Government's response to Commissioner Hayne's <b>recommendations 6.6, 6.7 and 6.8</b> stated that it will introduce a regime similar to BEAR for non-prudentially regulated entities focused on conduct. This would be administered by ASIC.	Before then, our executives must act with honesty and integrity, and with due skill, care and diligence and their accountability statements set out requirements for them to: <ul style="list-style-type: none"> <li>• Develop and maintain open and constructive relationships with all regulators (including ASIC where applicable); and</li> <li>• Be accountable for the products they offer to their customers and complaints about them.</li> </ul>
11. Require our BEAR executives to be open, constructive and cooperative with the Australian Securities and Investments Commission		

Commitment	Why we made the commitment	Where we are up to
<b>Remediation</b>		
<p>12. Publicly report on how we are fixing our significant failures, including the nature of the issues and our progress on paying customers back. This will include the remediations identified at the Royal Commission. This transparency will add to our commitment to fix failures fairly and quickly in our Remediation Principles<sup>1</sup></p>	<p>The appropriateness and timing of remediation activities of banks was subject to significant attention through the Royal Commission process. We believe that transparency concerning our remediation projects is needed to meet <b>community standards and expectations.</b></p>	<p>We have completed this commitment by publically reporting on our progress on our remediations at both our half- and full-year reports.</p>

<sup>1</sup> ANZ's Remediation Principles are set out on page 9 of ANZ's 2018 Annual Review. The 2018 Annual Review is available at: [https://shareholder.anz.com/sites/default/files/anz\\_2018\\_annual\\_review\\_final.pdf](https://shareholder.anz.com/sites/default/files/anz_2018_annual_review_final.pdf)

Commitment	Why we made the commitment	Where we are up to
<b>Dispute resolution</b>		
<p>13. Commit to public principles on <b>managing complaints and disputes from retail and small business customers</b> and acting as a model litigant if we end up in court with them individually</p>	<p>We are conscious that when our retail and small business customers have a complaint against us, or we have a dispute with them individually, we have access to more legal resources than they do. The principles (which were referred to in our 2018 Sustainability Report) are aimed at giving customers more comfort that we will treat their complaint against us with respect and, if legal proceedings cannot be avoided, act fairly in them.<sup>2</sup></p>	<p>We have completed this commitment by releasing Dispute Resolution Principles, incorporating model litigant guidelines, on 15 April 2019. The Principles were reviewed and updated in November 2019 and are available on anz.com.<sup>3</sup></p> <p>The principles apply to our people and our representatives (e.g. external law firms) when managing individual retail and small business customer complaints, disputes and litigation in Australia.</p>
<p>14. Commit to the Australian Financial Complaints Authority's 'look back' under its new limits, appoint our Customer Advocate to lead this work and fully cooperate with AFCA as it resolves disputes</p>	<p>The Government's response to Commissioner Hayne's <b>recommendation 7.1</b> indicated that it will require AFCA to consider disputes dating back to 1 January 2008.</p> <p>Commissioner Hayne's <b>recommendation 4.11</b> was that the law should be changed to require that licence holders take reasonable steps to cooperate with AFCA in its resolution of particular disputes, including, in particular, by making available to AFCA all relevant documents and records relating to issues in dispute.</p>	<p>We have completed this commitment by establishing a dedicated team responsible for investigating legacy complaints lodged with AFCA and note that customers can continue to register legacy matters with AFCA until 30 June 2020. ANZ remains committed to engaging constructively with AFCA and customers who raise historical complaints under the AFCA Legacy program.</p>

<sup>2</sup> Refer [https://www.anz.com/content/dam/anzcom/shareholder/au22289\\_anz\\_sustainability\\_review\\_2018\\_fa\\_online.pdf](https://www.anz.com/content/dam/anzcom/shareholder/au22289_anz_sustainability_review_2018_fa_online.pdf)

<sup>3</sup> Refer <https://www.anz.com.au/content/dam/anzcomau/pdf/dispute-resolution-principles.pdf>

Commitment	Why we made the commitment	Where we are up to
<b>Financial advice</b>		
<p>15. Focus on how we provide ongoing financial advice to customers so they always get the service they pay for and value</p>	<p>Commissioner Hayne's <b>recommendation 2.1</b> was for several changes to the law concerning ongoing fee arrangements (including that such arrangements must be renewed annually by the client and record in writing each year the services that the client will be entitled to receive).</p>	<p>We announced in May 2019 that we will no longer offer the Prime Access financial advice service to new customers and will phase it out entirely for current customers over the next 18 months. The Prime Access financial service was formerly offered on an ongoing fee basis. Existing customers are already required to opt-in annually to any existing ongoing fee arrangements.</p> <p>On 1 October 2019 a new delivery model commenced under which advice and services are provided to customers based on what they value and paid for after receipt of the service.</p> <p>Note: On 31 January 2020, the Australian Government released draft legislation for public comment that related to a number of Royal Commission recommendations. The draft legislation would impact the requirements for both Commitments 15 and 16. ANZ has been working towards delivering these commitments ahead of formal legislation and we are well positioned to deliver by the proposed timeframe should this draft legislation formalise and pass.</p>
<p>16. Tell our customers in writing of areas where our financial advisors may not be independent, impartial or unbiased</p>	<p>Commissioner Hayne's <b>recommendation 2.2</b> was that the law be changed to require personal financial advisors to give clients a written statement explaining simply and concisely why the adviser is not independent, impartial and unbiased (if that is the case).</p>	<p>We have completed this commitment by amending our disclosure documents.</p>