



1 November 2019

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

IMPLEMENTATION OF ROYAL COMMISSION RECOMMENDATIONS AND REMEDiation OF CUSTOMERS

I refer to my appearance before the Committee, together with ANZ's Chief Risk Officer, Kevin Corbally, on 15 November 2019.

This letter responds to the Committee's letter of 16 August 2019 asking ANZ to outline our progress in implementing the recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (**Royal Commission**).

The Committee's Terms of Reference also request it to inquire into the remediation of customers in a fair and timely manner following conduct that has fallen short of the law or community expectations. To assist the Committee, this letter also provides a summary of our remediation work.

OVERVIEW OF ROYAL COMMISSION IMPLEMENTATION

As I indicated to you in March, the Royal Commission has been a profoundly humbling experience for ANZ. We have been determined to take action on both its spirit and the letter. Commissioner Hayne directed four recommendations at banks (recommendations 1.14, 5.4, 5.5 and 5.6). In relation to these recommendations, we have:

- 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)
- Completed the implementation of 13 of 15 Sedgwick Review recommendations that can be implemented by individual banks at this time.¹ We are finalising the implementation of the two recommendations that we do not consider complete and are on track to meet the 2020 Sedgwick deadline (recommendation 5.5)

¹ The Sedgwick Retail Banking Remuneration Review relates to the ANZ Retail and Commercial business.

Chief Executive Officer

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- 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).²

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 work implementing the February commitments, together with our practices concerning not charging farmers default interest when they are unable to pay, mean that we have also made significant progress in addressing the recommendations directed at the Australian Banking Association (recommendation 1.8 – Amending the Banking Code and recommendation 1.13 - Charging default interest).

Our progress against the four bank and two ABA recommendations is set out in greater detail below. A fuller accounting of our progress against the sixteen commitments we made in February is set out in the annexure.

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

We have changed how we pay people across the ANZ Group, effective from 1 October 2019. These changes seek to reduce the risk of behaviours or outcomes that are not in our customers' best interests and to focus our people on greater collaboration and Group performance. They also make pay clearer and simpler for our people.

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.³ 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

² 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.

³ 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.

- 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.⁴

The new arrangements do not apply to BEAR Accountable Persons or other executives whose remuneration may be subject to APRA regulation.

ANZ policies require annual review of the Group Remuneration Policy and business unit-specific incentive plans, including front line remuneration. The 2020 review process will include consideration of the findings of the Royal Commission, the October 2019 remuneration changes and relevant regulatory standards.

In relation to the Sedgwick Review, we have completed the implementation of 13 of 15 recommendations that can be implemented by individual banks at this time.⁵ Work on the remaining two recommendations is advanced but we do not consider that the recommendations are completely implemented:

- In relation to examining culture and bias towards sales, ANZ is planning further testing of culture during 2020 (Sedgwick recommendation 9)
- In relation to re-consideration of leaderboards, recognition programs and campaigns, ANZ will complete implementation with the transition to 'whole of role' team-based reporting in our Retail business by March 2020 (Sedgwick recommendation 12).

We are on track to deliver all recommendations well ahead of the October 2020 deadline, noting the Sedgwick recommendations that are being managed at an industry level.⁶

Please refer to Commitments 5 and 6 in the annexure.

⁴ The 2019 ANZ Annual Report discloses 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.

⁵ 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).

⁶ The ANZ Annual Report states that our implementation of the Sedgwick recommendations is 90% complete. This is based on 19 recommendations: completion of 13 bank specific recommendations and 75% completion of the remaining two bank specific recommendations, and 50% to 90% completion of four recommendations requiring industry responses. It excludes the two recommendations for future ABA reviews.

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. We have taken a number of steps through 2019 on culture and governance that apply across ANZ’s operations. In accordance with the recommendation, we will continue to address these areas.

Key actions that we have taken through 2019 include:

- Introduced new Accountability and Consequence Principles in June 2019. The Principles make consequences for employees and managers found accountable for a material event clearer and stronger. The Accountability and Consequence Framework is overseen by the Consequence Review Group chaired by the CEO. We have also expanded our disclosure of consequences for senior management⁷
- Established a Royal Commission and Self-Assessment Oversight Group to oversee an integrated response to the Royal Commission and APRA Self-Assessment, including our roadmap to address the Self-Assessment areas of simplification, culture, governance and accountability, remediation and management of operational risk
- Continued assessment of ANZ’s culture and oversight by the Board and the Enterprise Culture Steering Group, chaired by the CEO. 20,000 employees have participated to date in the cultural assessments undertaken by a specialist Internal Audit team. We have piloted a new approach to measuring culture using a range of indicators to measure progress against our desired culture
- 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. We continue to embed leadership behaviours and reinforce expected standards for all our people leaders. Employee awareness is being encouraged through initiatives such as the ‘Whistle Blower Awareness’ Week.

Please refer to Commitments 7 and 8 in the annexure.

⁷ Refer footnote 4.

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 is directed at the ABA while recommendation 1.14 is directed at banks.

To address recommendation 1.14 and, to the extent we can, 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
- 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.

We are working with the ABA to address recommendation 1.13 through amendments to the Banking Code that will come into effect on 1 March 2020.

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 will be addressed through amendments to the Banking Code that will come into effect on 1 March 2020.

To do what we can now on this recommendation, we have:

- Established a dedicated Aboriginal and Torres Strait Islander 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.

ANZ anticipates making further changes to comply with the amended Banking Code. In advance of this, we are reviewing our use of interpretation services and trialling options to support customers not adept with English.

Please refer to Commitments 1.1 and 2 in the annexure.

OUR OTHER ROYAL COMMISSION COMMITMENTS

The annexure sets out our progress against the other commitments that we made in February. Through these commitments, 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, 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 also removed grandfathered commissions in relation to ANZ Financial Planning (our salaried planners) and are now rebating grandfathered commissions to customers.⁸ We have also written to all customers of our OnePath Superannuation business where grandfathered commissions are being deducted from their account. We have encouraged them to ensure they are receiving appropriate services from their financial adviser and remind them that they can advise us 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 also 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.

⁸ ANZ will own limited financial advice, insurance and wealth services in the future. The sale of OnePath Life, the ANZ life insurance business, to Zurich Financial Services Australia completed in June. In October 2019, ANZ announced that it expects to complete the sale of its OnePath Pensions & Investments business (including OnePath Superannuation) to IOOF Holdings Limited in the first quarter of calendar year 2020. The former ANZ Aligned Dealer Groups have now transferred to IOOF Holdings Limited. ANZ financial adviser, lenders mortgage insurance and other remaining businesses have been transferred to the Australia Division.

CUSTOMER REMEDIATION

Fair, responsible and efficient customer remediation is a focus for the bank, with significant investment being made across our Australia and Wealth Divisions. We have acknowledged the importance of fixing the mistakes of the past and returning money owed to customers as quickly as possible.

As noted in our Annual Report:

- We are currently resolving identified fee or interest discrepancies with over 3.4 million Retail and Commercial customers. To date our Retail and Commercial Responsible Banking team has remediated over one million customer accounts and issued refunds of \$62 million⁹
- In Wealth, we have completed the first stage of a review to identify instances of inappropriate advice to customers. Over 7,000 advice cases, spanning more than a decade, were reviewed. In addition, around three quarters of remediation cases relating to ANZ Financial Planning fee for no service have now been remediated. Wealth has remediated nearly 26,000 cases in total and made payments of \$95.2 million as at 30 September 2019
- Across ANZ, there are over 1,000 people progressing remediation activities
 - Over the 12 months to 30 September 2019, our Australian Retail and Commercial Responsible Banking team, has increased the people working on large scale customer remediation matters from around 150 to around 275
 - More than 500 people throughout the Australian Retail and Commercial business are working on a number of smaller customer remediations, fixes and investigations
 - The dedicated Wealth team has expanded from around 120 to around 170 people over the same time period and is projected to increase to around 200 by December 2019
- We are developing 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 understanding of the root causes and shared accountability for the prevention of future issues.

This year ANZ has announced an additional charge of \$682 million as a result of an increase in our provisions for remediation work. We reported that the cumulative total cost of remediation was \$1,579 million over the period from 2017 to 2019. The Wealth discontinued operations component of this amount was \$422m and continuing operations component was \$1,157m.

⁹ In certain instances ANZ makes a community service payment in lieu of a payment to a customer account (in 2019 charity payments were made for ~111,000 accounts totalling ~\$355,000); or the customer payment via cheque (in 2019 cheques were issued for ~178,000 accounts totalling ~\$11,088,000. A proportion of these cheques remain unrepresented).

CONCLUSION

We have made strong progress in responding to both the spirit and the letter of the Royal Commission. We will continue implementing reforms swiftly and effectively as legislative, regulatory or industry changes give effect to the remaining Royal Commission recommendations. We will also continue focusing on fair, responsible and efficient customer remediation so that we return money owed to customers as quickly as possible.

We look forward to any questions you may have on our progress.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Shayne Elliott', written in a cursive style.

Shayne Elliott

CHIEF EXECUTIVE OFFICER

Annexure: ANZ Royal Commission Commitments

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
Retail customers		
1. Make our products fairer and better matched to our customers by:		
1.1. Removing overdrawn and dishonour fees on our Pensioner Advantage account	<p>Commissioner Hayne's recommendation 1.8 was that the Australian Banking Association (ABA) should amend the Banking Code of Practice 2019 (Banking Code) to, among other things, provide that banks:</p> <ul style="list-style-type: none"> • Without prior express agreement with the customer, will not allow informal overdrafts on basic accounts; and • Will not charge dishonour fees on basic accounts. 	<p>We have completed this commitment by removing the overdrawn and dishonour fees on our Pensioner Advantage account.</p> <p>We are also working with the ABA on amending the Code as recommended by Commissioner Hayne.</p>
1.2. Accelerating work on how we design and distribute products so that customers get products that meet their needs	<p>In response to the Royal Commission's Final Report, the Government agreed to extend the design and distribution obligations 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 earlier this year. The design and distribution obligations in the new Part 7.8A of the <i>Corporations Act 2001</i> (Cth) will commence in April 2021.</p>	<p>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).</p> <p>We have assessed the design and distribution obligations and started considering how we should best implement them.</p>

Commitment	Why we made the commitment	Where we are up to
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2. Improve our service to Aboriginal and Torres Strait Islander customers in remote communities by:

<p>2.1. Setting up a dedicated phone service that will help Aboriginal and Torres Strait Islander customers manage their banking</p>	<p>Commissioner Hayne encouraged banks, 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>	<p>We have completed this commitment by establishing a dedicated ATSI telephone service from 1 May 2019.</p> <p>The service is staffed by bankers trained in indigenous cultural awareness and assisting vulnerable customers.</p>
<p>2.2. Giving Aboriginal and Torres Strait Islander customers easier options to prove their identity when opening and using a bank account</p>	<p>Commissioner Hayne’s recommendation 1.8 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>	<p>We have completed this commitment by introducing a new referee form from 1 May 2019. This form makes it easier for indigenous customers to prove their identity.</p> <p>The ATSI telephone service uses TextMe SMS message to provide identified ATSI customers with a dedicated telephone number.</p> <p>Our security questions have also been revised to make them more relevant to and easily understood by ATSI customers. These revisions took into account feedback from ANZ’s Indigenous Advisory Group.</p> <p>We are also working with the ABA on amending the Code as recommended by Commissioner Hayne.</p>

Commitment	Why we made the commitment	Where we are up to
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3. Help customers by:

<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 spirit of Royal Commission process and Final Report. 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 with financial education on how credit cards work and offer assistance plans to help them to pay their debt faster.</p> <p>Our initial focus is on contacting customers with a low rate credit card product and providing them an option to transfer to an instalment plan at a reduced rate of 7%. As at 30 September, we have attempted to contact 9,500 customers, connecting with 2,630. Of those contacted, around 650 (25%) accepted an instalment plan and a further 780 (30%) appreciated the financial education. The other customers chose to take no action.</p>
<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 low-cost basic bank accounts.</p> <p>As at 30 September we had contacted 128,624 of a total of ~350,000 customers (by email or letter). 3,819 new concession accounts opened were opened by customers as a result.</p>

Farming customers

<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 famers in financial distress. The relevant elements of these principles are outlined below.</p>
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Commitment	Why we made the commitment	Where we are up to
4.1. Not charging farmers default interest in areas declared to be affected by drought or other natural disasters	Commissioner Hayne's recommendation 1.13 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.	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. We are also working with the ABA on Commissioner Hayne's recommendation.
4.2. Valuing farm land separately from the loan origination process	Commissioner Hayne's recommendation 1.12 was that the Australian Prudential Regulation Authority (APRA) 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	Commissioner Hayne's recommendation 1.14 was that banks, when dealing with distressed agricultural loans, should (among other things): <ul style="list-style-type: none"> • Offer farm debt mediation as soon as a loan is classified as distressed; and • Manage every distressed loan on the footing that working out will be the best outcome for bank and borrower, and enforcement the worst. 	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. 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 (AFCA). The principles also set out that we:
4.4. Reinforcing our preference for working out difficulties over enforcing agricultural loans or appointing an external manager	Commissioner Hayne's recommendation 1.11 was that a national scheme of farm debt mediation should be enacted.	<ul style="list-style-type: none"> • 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 • 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.

Commitment	Why we made the commitment	Where we are up to
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Remuneration

<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 recommendation 5.4 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 have completed this commitment for 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.</p>
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Commitment	Why we made the commitment	Where we are up to
<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 recommendation 5.5 was that banks should implement fully the recommendations of the Sedgwick Review.</p>	<p>ANZ's delivery of the Sedgwick recommendations is 90 percent complete and, with the exclusion of the Sedgwick recommendations which are being managed at the industry level, we are on track to deliver all recommendations well ahead of the October 2020 deadline.</p> <p>We have completed implementation of the following recommendations: 2 – removal of sales-linked variable reward payments; 3 – overall assessment for variable rewards; 4 – product neutrality and scorecard weighting for financial measures; 6 – credible behavioural gateways for variable rewards; 7 – removal of accelerators or similar modifiers; 8 – reduction in variable pay as a component of total remuneration; 10 – examination of performance management system; 11 – managers to reflect ethical and customer focus in communications; 13 – executive remuneration to be based on broad measures; 14 – Board and CEO oversight and public reporting; 16 – removal of volume-based mortgage broker incentives; 17 – end-to-end governance of mortgage brokers; and 20 – examination of introducer and referrer arrangements.</p> <p>Recommendations that are in progress are: 9 – work place culture (ANZ is planning further testing of culture during 2020 to assess any bias towards sales); and 12 – use of leaderboards and similar methods (ANZ is putting in place 'whole of role' team-based reporting in our Retail group by March 2020).</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 (ASIC) 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
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Accountability, culture and governance

<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 commitment responds to the spirit of the Royal Commission process and Final Report 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"> • Consequence management principles that guide a more consistent approach to consequence management across the bank, including impacts on remuneration • Accountability principles that define the various categories of accountability (e.g. direct, indirect, collective) • Accountability review guidance to guide our leaders on when and how to undertake accountability reviews • Expanded disclosure to senior leader accountability. <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 recommendation 5.6 was that all financial services entities should, as often as reasonably possible, take proper steps to:</p> <ul style="list-style-type: none"> • 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. 	<p>We are continuing to act on this commitment including by:</p> <ul style="list-style-type: none"> • Acting on problems identified in cultural reviews conducted by our Internal Audit function • Establishing an Enterprise Culture Steering Group that meets semi-annually to understand cultural strengths and concerns, as well as actions directed at cultural improvement • Exploring how we can give our leaders feedback on their strengths and development areas • Testing a new framework for understanding and improving our culture.

Commitment	Why we made the commitment	Where we are up to
<p>9. Allocate specific responsibility to our BEAR executive(s) for our products and complaints about them</p>	<p>Commissioner Hayne's recommendation 1.17 was that APRA should require banks to have a responsibility under the Banking Executive Accountability Regime (BEAR) 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.</p>	<p>We will complete commitments 9 and 10 when APRA releases its requirement for a BEAR product responsibility. This is expected by the end of 2019.</p>
<p>10. Make our BEAR executives explicitly responsible for preventing conduct that harms customers</p>	<p>The Government's response to Commissioner Hayne's recommendations 6.6, 6.7 and 6.8 stated that it will introduce a regime similar to BEAR for non-prudentially regulated entities focused on conduct. This would be administered by ASIC.</p>	
<p>11. Require our BEAR executives to be open, constructive and cooperative with the Australian Securities and Investments Commission</p>		<p>We will complete this commitment when the law changes. Before then, we have an existing responsibility in our BEAR Executives' Accountability Statements that requires them to develop and maintain open and constructive relationships with all regulators (including ASIC where applicable).</p>

Commitment	Why we made the commitment	Where we are up to
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Remediation

<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 Principles¹</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 community standards and expectations.</p>	<p>We have reported our progress on our remediations at both our half- and full-year reports.</p>
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¹ 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

Commitment	Why we made the commitment	Where we are up to
Dispute resolution		
<p>13. Commit to public principles on managing complaints and disputes from retail and small business customers 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.²</p>	<p>We have completed this commitment by releasing Dispute Resolution Principles, incorporating model litigant guidelines, on 15 April 2019.</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 recommendation 7.1 indicated that it will require AFCA to consider disputes dating back to 1 January 2008.</p> <p>Commissioner Hayne's recommendation 4.11 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 writing to AFCA to commit to its 'look back' process. We are committed to fully cooperating with AFCA, including by allocating additional staff to the process and adopting new systems.</p>

² Refer https://www.anz.com/content/dam/anzcom/shareholder/au22289_anz_sustainability_review_2018_fa_online.pdf

Commitment	Why we made the commitment	Where we are up to
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Financial advice

<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 recommendation 2.1 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>16. Tell our customers in writing of areas where our financial advisors may not be independent, impartial or unbiased</p>	<p>Commissioner Hayne’s recommendation 2.2 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>