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Tony Warren: Good afternoon everyone and welcome to ANZ's third ESG market briefing. My name's Tony Warren and I look after the communications and public affairs function here at ANZ. Firstly. let me acknowledge the Traditional Owners of the land on which we meet and pay my respects to their Elders past and present. Now within the comms and public affairs function, we have a specialist team responsible for managing our group wide ESG work. This includes our disclosures, our customer assessments, as well as helping to ensure we are strategic in our approach and are responding to current and emerging ESG risks and opportunities. But of course management of ESG issues is embedded right across the organisation, including in our risk, strategy, property and sustainable finance teams.

So now to today's briefing, which will be led by our CEO, Shayne Elliott. Shayne will give an update on how we're performing against our ESG commitments, including those relating to carbon. He'll then provide some insights into how our purpose is helping us navigate the COVID-19 pandemic. Mark Hand, our Group Executive Retail and Commercial for Australia will then cover our COVID support measures in more detail and also discuss the ways we're managing some key non-financial risks, such as cyber-security.

Now we will have plenty of time for questions right at the end. With that, I'll hand over to Shayne.

Shayne Elliott: Okay, thanks Tony and good afternoon everybody and thank you for joining us. As Tony mentioned, this is our third ESG briefing and while it is a little different logistically, I hope you'll find it just as useful. 2020 has been a challenging year. Our customers and communities have faced significant uncertainty and loss, initially for some brought about by the bushfires and now, of course, COVID-19. Our thoughts are with those who have lost loved ones and been directly impacted.

For those who joined us at this briefing last year, you may recall we focused on our governance framework as well as our response to the Royal Commission. So if you like, the focus was on the 'G' within ESG. Today I'll largely be focused on the 'S' and how our purpose has guided our response to COVID-19, particularly how we're supporting our customers. Mark, our Group Executive Retail and Commercial Australia will cover the specific support measures for customers and staff and the risks being amplified by the pandemic, including cyber-security. We'll then open it up for questions.

So to begin with, I'd like to discuss our ESG framework, our priorities and the progress we're making. We've a clear sense of purpose at ANZ to shape a world where people and communities thrive. Our purpose guides our decisions about who we bank, how we behave and what we care about most. We've done a lot of work over the last few years to embed our purpose and build a values-drive culture and ensuring that we have the capacity to deliver it. These foundations have meant we're in a strong position to meet the current challenges in a fair, ethical and sensitive way for our customers, employees and the community, while still delivering decent returns to shareholders. We believe those interests are aligned and not trade-offs.

While we've had to adapt our business in the current environment, we haven't lost focus on our strategy and our priorities of: improving the availability of suitable and affordable housing options for all Australians and New Zealanders; supporting household, business and financial practices that improve environmental sustainability; and on financial wellbeing, helping our customers, employees and community make the most of their money throughout their lives. Fundamental to our approach is a commitment to fair and responsible banking, maintaining high standards of conduct and keeping pace with the rising expectations of our customers, employees and the community.

Now a brief update on our ESG targets, many of which are aligned with the UN Sustainable Development Goals. We're making good progress, with over 80% on track. Now while progress in some areas has been less than we would have aspired to, I think it's important that we do set ambitious goals. The management of climate-related risks and opportunities clearly remains a priority issue for the Bank. Our own footprint is relatively small, but not irrelevant and we have made progress. More importantly, we can influence the impacts of our customers.

Our target to fund and facilitate at least $50 billion in sustainable financing by 2025 is on track and progressing well. An example of this is the green loan we provided to Walker Corporation for the development of Paramatta Square, a great amenity for the people of New South Wales and the first labelled green loan executed by a private company in Australia, which means proceeds are allocated towards qualifying green projects.

We also have a target to encourage and support 100 of our largest emitting customers in the energy, transport, buildings, food, beverage and agricultural sectors in their public commitments to transition to a net zero economy. We've already reviewed the carbon disclosures of more than 90 of these customers and engaged with more than 60 to support the strengthening of their plans. We will announce an updated carbon policy at our full year results in October. We also know we have a role to play as a borrower and our own group treasury team is now systematically including the issuance of Sustainable Development Goal, or SDG bonds, into our annual capital and funding needs.

A couple of key highlights relating to our other priority areas of housing and financial wellbeing include that we've jointly led three social bonds for the National Housing Finance and Investment Corporation in the past 18 months. Their most recent issue in June was for $562 million and will support 10 community housing providers with access to more than 2700 affordable homes. Our matched saving and financial education program, Saver Plus, has helped more than 46,000 lower income Australians save over $24 million to support their own and their children's educational needs. More recently, we've directed about $12 million to our key community partners to, amongst other things, help expand their programs online. This is particularly important as our partners witness increased demands at a time their traditional face-to-face channels are challenged. We've also partnered with the UN Development program to deliver our financial education programs in the Pacific. So overall, we're making good progress, but we know we can always do more.

Now let me talk specifically about our approach to COVID. Put simply, it's about protecting what matters, adapting to the changing environment, increasing engagement and preparing for the future. Our decisions and responding to the crisis have had a very real short-term financial impact on earnings and profitability and of course on shareholder value. But our focus remains on the long term. A healthy and sustainable community is in the long-term interests of ANZ. Throughout we've tried to make fair and appropriate decisions, seeking the balance the needs of all stakeholders. Here today we're issuing a statement of intent to provide clarity on our commitment to support customers and we expect to be held to account against this and we will report on our progress.

As you know, in March we commenced offering new assistance to customers who are current with their repayments but needed support in the form of a payment deferral, due to the impact of COVID. By current, I mean they were up to date or no more than one month overdue on their payments. We figured that there will always be good reasons when people have been overwhelmed why they might be a week or so behind on their repayments and we shouldn't penalise them for that.

For those receiving this support but are unable to resume full repayments at the end of the initial deferral, the statement of intent outlines the following: that we will listen to the customer, to understand their current and near-term financial position; that will we adjust facilities where possible, for example, provide a period of interest only for those able to resume repayments only if their loan is restructured; we'll extend the deferral period for those who are unable to resume repayments, but are likely to have an improved financial position in the medium term; and we'll assist those customers likely to experience ongoing financial hardship to find an appropriate solution for them.

Sadly, we know that there will be difficult situations where we need to help customers wind up their debts and when this happens, we'll be ethical and sensitive in our actions. In short, through this statement of intent, we're seeking to give customers and other stakeholders greater certainty at what is an uncertain and stressful time for many.

Now moving to how we are managing the impacts of the pandemic, our first step was to protect our ability to operate, as well as protecting our customers and our people. In March we announced our initial support package for small business and home loan customers and since then we've supported around 200,000 customers in Australia and New Zealand, with measures such as payment deferrals and temporary overdraft facilities.

The COVID pandemic has also meant we've needed to do some things differently in the way we support our customers and a good example of this is how we've worked to protect the health and safety of our vulnerable and elderly customers so they don't have to physically come into a branch. When the pandemic first started, we still had around 7000 customers who had a passbook account, which they use to withdraw money face to face from a teller. Now we've developed a new process so they can open a Visa debit account, from their home, over the phone and we've been in contact with the majority of these customers to assist with it.

Our other immediate priority was looking after our staff. We transitioned as quickly as possible to enable most of our staff to work from home and since March, we've had approximately 90% of our people doing just that. Mark will touch on this later, but it's important to note the responsibility we have in terms of protecting our people and this includes their mental and physical wellbeing. Our people have adapted faster than we could have imagined and have been remarkably flexible in making sure we continue to provide services to our customers.

How we've adapted to the crisis in many ways demonstrates the success of our efforts in recent years to strengthen our governance processes. A key element to this was reviewing our response to the pandemic and deepening board oversight of the business through an ESG lens. Fortunately, we've also had the benefit of a consistent and cohesive management team. Our Management Ethics and Responsible Business Committee, which I chair, is a leadership and decision-making body. It considers the social and environmental impacts of the industries we finance, our treatment of customers and the communities that ANZ serves.

The board's Ethics and Environmental, Social and Governance Committee is responsible for overseeing and reviewing our approach. For instance, our work to improve our policies, processes and disclosures on our approach to human rights has been a focus this year. We've committed to review and strengthen our human rights policies, including our customer social and environmental screening processes and developing a grievance mechanism using the UN Guiding Principles on Business and Human Rights. The board has also overseen our work to upgrade our climate commitments. COVID-19 pandemic has also seen our board in particular actively engage and oversee a number of key decisions, especially responsibly allocating capital.

A third area of focus is how we've engaged with stakeholders. In a time of crisis, people need clarity and certainty and we've stepped up our engagement with all stakeholders for this reason. We've worked closely with government and regulators to ensure that the support measures in the form of deferrals and extensions were appropriate. In addition, our senior executives engage weekly with NGOs, consumer advocates and financial counsellors to discuss what they're seeing on the ground, to ensure that we're acting responsibly and responsively to real-world conditions.

Now just before I hand over to Mark, I want to touch on a few key points as we prepare for the future. As mentioned, our strategy and priority areas are largely unchanged, but we do have some forward-looking objectives, which are: to maintain strong discipline, focused on good customer and regulatory outcomes; improve the financial wellbeing and experience our customers, such as improving the decision times for home loans and business lending in Australia; building a diverse and adaptable team; and running our core business as well and delivering sustainable operational improvements. These areas build on our goal to be simpler, more efficient and better managed and they'll set us up even more strongly for the future.

Now with that, let me hand over to Mark who will discuss our non-financial risk management work. Mark.

Mark Hand: Thanks Shayne. So let me go into a bit more detail on what's changed for us during the pandemic. Responding to the needs of our customers was a top priority, as

Shayne has mentioned. In the peak months of March and April, we saw customers who are current on their lending arrangements needing access to support measures. This is in addition to some who were already being provided with assistance through our hardship team. Since then, we've developed formal and regular check-in and processes to transition those customers, who can, off support measures.

At the three-month mark, we checked in with customers on their progress and have just this week commenced engaging with them again, prior to their deferrals ending, to prepare and plan ahead. We believe most will resume paying down their loan as deferrals finish and encouragingly, we've already seen a number of customers make some kind of repayment. However, some will need further help and for those who remain impacted and unable to return to full repayments, we are working through this sensitively and on an individual basis, trying to give them as much breathing room as we can to help them get back on their feet.

But it's good news for some business customers and we are seeing some positive signs from those who are in a good position, who have been able to proactively manage costs, be conservative with capital and innovate during the crisis.

Our response has also been about how our contact centres have helped support and serve our customers. For many who needed assistance, English wasn't their first language and so we had 22 languages covered from our contact centre staff. In August, we hired an additional 250 full time employees to work in our customer hardship team, as demand in our contact centre has seen an increase of more than 65%.

Operationally, the other most significant piece of work was around how we were able to adapt and support our staff to work from home. This was a big task, as we had to increase our capacity very quickly, but we already had the right systems in place to do this. We've also planned for the return of a limited number of our employees to the workplace, in line with government advice. During June and July, a small number of our staff in some locations, such as South Australia and Western Australia, returned to the office, with other locations on hold due to further stay-at-home restrictions being in place.

With this significant change in our work life, our approach to culture and employee wellbeing became another top priority for us. It wasn't just about ensuring our people could work at their best, but more so how they managed and were they okay. Early on we focused on how we would help our people build resilience to steer through this crisis. For instance, we launched a HealthyMe digital app, offering bite-sized piece of content on topics of health and wellbeing. The aim was to help our staff develop the skills to boost resilience and deal with challenging situations.

We increased communication about our Employee Assistance Program, which provides short-term wellbeing support services for employees and family members. Interestingly, during the COVID situation, periods of isolation, our utilisation of the program remains stable compared to previous quarters, which possibly reflects the impacts of the wellbeing measures that we did put in place. Pleasingly, the results from a global employee survey conducted in July told us that 93% of our staff feel that ANZ is supporting employees during the COVID pandemic.

From an overall business perspective, we wanted to confirm we had the right strategies in place while also strengthening the integrity of our risk management system. We started to look more closely at everything based on a heightened risk appetite, including our assumptions on how we do business, how we work together and how we manage risks and capability. Our policies are designed to ensure we have the right boundaries and guidelines in place for how we operate; in a time of crisis we've needed to adjust our thinking on these. This has included reviews of how we model risk in our portfolios, on how we view high-risk sectors, how we grade customers and stress test them and understand the capital and provisioning implications of it all.

Another element to this crisis has been the increase in cyber-security threats. The threat of cyber-crime and fraud is not new, but in the current environment, has become more prolific. We have seen a significant increase of cyber-attacks since COVID began. For example, early in the crisis we were blocking around 550,000 COVID-related phishing emails per month, which has now reduced. But to put this in context, we block over seven million emails every month. Our 24/7 sophisticated security operation centre's defences and mitigation capabilities, which analyse millions of data events every day, help keep the bank and its staff and customers safe online.

We've also increased staff and customer communications to ensure people are protecting themselves by being able to spot a suspicious email or a website, recognise a ransomware scam and by having the latest software and hardware to block the traffic.

This is in addition to our mandatory security training for all staff. So we're well prepared and managing well but we're not complacent and continue to take this risk seriously.

Before I hand back to Shayne, I want to talk to the effects of the bushfires that devastated parts of Australia earlier this year and our work to help support the communities affected.

The bushfires were some of the worst in our history and impacted wellbeing and livelihoods of so many with effects still being felt in locations such as Gippsland in Victoria.

In January, we activated a financial relief package for customers. We also donated more than $1 million to support customers in communities that were impacted and we extended special paid leave for employees who volunteer in emergency services to ensure they were supported while helping the communities.

I was also able to spend time visiting a number of regions across Australia in the weeks following the fires and saw first hand the impact on local communities. Sadly, COVID is also now hitting them as most of the regions affected rely on tourism for income.

We will continue to support our customers as best we can to get through this time. For instance, we are planning to direct a portion of our sustainable finance target of $50 billion towards supporting customers in communities impacted by disasters. For example, capital will be allocated to fund or facilitate weather event resilience initiatives or to build resilience against non-weather related disasters such as pandemics.

With that, let me hand back to Shayne.

Shayne Elliott: Okay, thanks Mark. Now, before we take questions, there are a couple of important pieces of work I'd like to mention briefly. The Royal Commission and the APRA self-assessment work.

On the Royal Commission, as you would know, we announced 16 commitments that responded to the final report.

We made significant changes to how we reward and recognise our people, making sure it encourages collaboration, team performance and long-term thinking but also reduces the risk of having outcomes that may not always be in customer's best interests.

We replaced individual performance-based bonuses with a Group performance-based bonus for approximately 80% of employees and we reduced variable remuneration.

We strengthened ANZ Group Board and Management oversight, particularly in relation to accountability and governance and we introduced new accountability and consequence principles.

We acknowledge the importance of fixing the mistakes of the past in returning money owed to customers as quickly as possible. To date, our Retail and Commercial Responsible Banking Team has remediated over 1.5 million customer accounts and issued refunds of

$134 million.

In response to our self-assessment, and commitments to improve areas such as governance and accountability, simplification and culture, we have taken action to simplify our business which included the sale of ANZ's life and general insurance businesses, pensions and investments business and of course UDC Finance.

There is more to be done but I feel we're on the right track in making the necessary changes. So in closing, I hope today has helped explain how we've responded to the pandemic and how our approach has been informed by our purpose.

I see this time, as difficult as it is, as a real opportunity for us to prove the value we provide to the community. I also hope we have given you a sense of where we're focussing our efforts with respect to ESG issues and that this work remains a priority, despite the pandemic. So thank you.

Tony, over to you to set up for questions, please.

Tony Warren: Thanks, Shayne and thanks, Mark. The operator will walk you through in a moment just how to do the questions. I believe it's star one but could I remind you all to say your name and your affiliation, please, up front, that will make it much help - much easier in this kind of environment.

The other thing is, just a reminder to our media friends who are online, we really do want to hear from you on this issue so if you do have questions, please reach out to the Media Team but this briefing itself is for the market analysts and we'll go through and hear the questions from them.

So operator, over to you, please.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you are on a speaker phone, please pick up the handset to ask your questions.

Your first question today comes from James Ellis with Bank of America. Please, go ahead.

James Ellis: (Bank of America, Analyst) Thanks very much for taking the question. Look, just on the issue of foreclosure. I acknowledge your statement that where this needs to happen, it will be ethical and sensitive in the way it's conducted but can you talk through how you avoid ESG issues on how you select and execute on foreclosure, given it is particularly sensitive?

Then, related to that in terms of political interference, where - how would you deal with a potential situation where a politician might expect endless forbearance to be provided, even in circumstances where it was clearly in nobody’s interest to do so?

Shayne Elliott: Yes.

James Ellis: (Bank of America, Analyst) So if the ESG risks of foreclosure and political interference on it.

Shayne Elliott: Sure. So thanks for the question. I guess it’s a bit of a statement of the obvious, James, but I mean we have to deal with these issues every day with or without a pandemic. In fact, sadly, we are having to deal with foreclosures.

The good news is that in normal times it’s very, very low numbers. It’s sad for every one of those but it’s a few hundred in any given year and we make sure that we deal with each one of those sensitively and ethically as well.

So we do actually have those skills. We do understand how to deal with customers who are going through emotional and all sorts of financial stress situations.

Now, you’re quite right that the point is here, we’re talking about having to be able to do that at scale.

So what we’ve already been doing is leveraging our teams who have that experience so that they’re already gearing up for, we hope we don’t need to, but for - they’re gearing up in terms of numbers.

They’re training people, they’re sharing their experiences, making sure that when and if this does come to be a bigger issue for us, we can do so in a well-managed way.

I’ll get Mark to talk a little bit about it because it is in his businesses. The only thing I would say there is, we do have another benefit in this particular crisis as opposed to many of the ones that we’ve been through and that is that interest rates are low. I don’t want to dismiss that because that basically says the time value of money is very, very low.

So there actually - there is value in sometimes we can afford to buy time. We can afford to be a bit more sensitive than we might not otherwise be and so I think that is another tool that we have, that extending a deferral, buying time, being thoughtful, listening to people can - we can actually contemplate that pretty seriously.

In terms of your question about political risk and, again, that is always the case. It doesn’t always reach the media. It may not reach people's attention. I mean, as I said, it's a sad reality of the business we're in that sometimes we do have to wind people up and local MPs and that do reach out to us from time to time.

Again, I think we're pretty well attuned to all that. We understand our business is about balance. We know we can't keep everybody happy. It is our job to sometimes make some hard decisions with customers. I believe we have the resilience to be able to continue to do that but it will be our early actions, the way we approach this, this sense of purpose, this sense of ethics etcetera, that will set us up well to deal with this.

But undoubtedly you're right in that there's going to be a much more - there's going to be a much higher degree of oversight and interrogation about the way we go about our business and we're - we are prepared for that. But Mark, do you want to talk a little bit about the foreclosure process itself?

Mark Hand: Yes, I think the two key things to remember that are different this time, one is even with the GFC, the cost of funds was significantly elevated and so we made some blanket decisions about re-pricing customers. That was a mass approach to a lot of customers.

The interest rates this time are considerably different so you do have more options available. Whether that be extending the term of loans for customers to lower their repayments, moving them to interest-only, which can in fact lessen the burden for a couple of years while they get back on their feet.

So we generally have more options and we have considerably more experience and capability to have a lot more individual one-on-one conversations. I think that will be the biggest change this time, that we are able to have those conversations about the customer's individual circumstances.

We've also got the option with agreement of the regulators, that in some cases we can extend deferrals by a further four months. So up to 10 months for some customers, particularly with what we're seeing here with the second lockdown in Victoria. That is another lever that we have open to us in the coming months if that is needed.

So I think the individual conversations, low rates and well-resourced. Also learning the lessons from the past will put us in a good space.

James Ellis: (Bank of America, Analyst) Thank you.

Operator: Your next question comes from Kylie Molinaro with LUCRF Super.

Kylie Molinaro: (LUCRF Super, Analyst) Hi, Shayne, I guess my question for you is in terms of providing this additional one-on-one approach for customers and supporting them through their difficulties, just knowing what you know now, do you have a handle on how long it will take for the core business to work through the impacts of what COVID has created here?

Shayne Elliott: In terms of - are you talking about the deferral population in particular,

Kylie Molinaro: (LUCRF Super, Analyst) Well yes, we can use that as a good case study but the other question I had for you as a two-part, is - and if you're able to just give a bit more colour on how COVID has also impacted the capital allocations division?

Shayne Elliott: Sure. Yes, I can do that. So Mark can give you some of the data and I think it's been really interesting to some extent. So we've seen - in a really short period of time, amazing shifts in consumer behaviour. So we've suddenly seen this collapse in people - for obvious reasons. So collapse in people coming to branches.

We've seen a collapse in people using cash transactions. We've seen a skyrocketing of people using credit cards and using any sort of digital device to pay for things. Point of sale transactions. Those sorts of things.

What that - the reason I mention that - and by the way, that goes all the way up through even into our Institutional Bank and the sort of activity we're seeing. More and more hedging activity etcetera, etcetera. What that allows us to do, and I think we - to be fair, we probably - we did surprise ourselves.

I think part of our work on implementing agile ways of working and some of the technology investments have allowed us to re-orient and pivot our resources much faster than we would have been able to do in the past.

So as you know, we've got about 500-odd branches across the country. Well many of them have been shut temporarily and what we've been able to do, because there was nobody going to them, what we've been able to do is just redirect all those people and putting them in Collections Teams, Contact Centre, Hardship, because these people are really well trained at dealing with people. That's their job. They're really - they are naturally empathetic. They listen. They're good at that.

So I think that sort of - that pivot, that ability to move literally hundreds of people quickly into new areas where demand has gone up because we have freed up in other areas, has really helped us.

So as you know, in the deferrals world, just using that, we've got about 84,000 home loan customers in Australia on a deferral, we've had to check in or at least contact sometimes on the phone, sometimes by text, sometimes in writing, sometimes by an email but we've contacted every single one of them at the three-month check in rate. We're essentially doing that all again now as they come up to the maturity of that six months to see where do we go from here?

So I think we've proven our ability to do that pretty well, actually. I don't think we've really stumbled too much. I mean, we had to put a lot of thought into it and things have to work but I think they've done a really good job.

I'll just comment on the capital allocation and then get Mark to talk about how we think about it from here in terms of those numbers.

Our capital - we haven't changed our risk appetite in - at the highest level. We haven't really changed it as a result of COVID. So we haven't said oh, we don't want to bank small business, we don't want to do this, we don't want to do that. No, we've stayed on the front foot.

We have to be more thoughtful about taking on risk because - particularly for customers who we don't know. So customers who are new to the bank, we have to ask more questions. We have to be - reassure ourselves about their character and the sustainability of their business etcetera.

But we haven't really changed our risk appetite. What you're seeing is a natural re-balancing in terms of resources. So despite us being open for business, for small business, as a general observation, most small - there is not a lot of demand that we see. Now, our business is different than the other banks and we have different sectors we're good at but we're not really seeing a lot of demand for borrowing from the small business community.

What we do know is though, for those that do apply, our approval rates are about the same. So we're still approving the same number of applications, we're just not seeing that. So there's a lot of shifting happening in there but from a capital allocation, if it was just about COVID, we haven't really amended that.

In the broader - I mentioned in my speech, we have the broad - we have been looking at from an ESG perspective, so broader than COVID, we have been making capital allocation decisions. That's more to do with the industries that we want to bank because we think their values are aligned with ours for the long-term.

So that's more sustainable finance as we talked about. Less into the carbon-heavy industries. In fact, we've been reducing that pretty heavily and there are some other examples of that which I'm happy to go into more detail but Mark, do you just want to talk about the resourcing? Because that's been a big demand on your team.

Mark Hand: Yes. Yes, so if you think, Kylie, I've been around for a while and I remember in the '90s, about - we went into technical recession in late 1990. It was about October 1990. Our 1992 financial year was where those losses showed up effectively because in those days, you didn't provide upfront. You recognised the loss as it occurred.

So it was about - sort of eight to 10 months through until about 18 months post the actual event. Post the recession, that we started to see businesses start to liquidate, if you like and really materialise the problems that they were facing.

So we've recognised what we believe is the size of the issue through our provisions today but we think we'll be very busy into mid-2021 and through the end of 2021, facing into this challenge.

So, whilst we have resourced up now, we've not seen a flow of customers into our lending services division for instance. We're not seeing the customers come forward or been forced into receivership yet but we expect that to accelerate, particularly into next year as people get through what will hopefully be, for much of Australia, a more buoyant trading season through Christmas but then, post-Christmas, I think we'll really start to see what customers can generally trade out of this and which customers are going to be in trouble going forward.

So we've set up our resourcing to get through the peak of the deferrals, customers having the three month check in coming off the deferrals. But we expect our small business to come in a second wave, effectively, where we need to have those in-depth conversations next year.

Shayne Elliott: I think it's a really important point that Mark mentioned. It's a good trigger in your question there, Kylie, which is as of right now today, if you came into ANZ and said what are people doing? We don't have a lot of demand for those collections activities.

The foreclosure, that sort of stuff that we've been talking about because that actually, the good news is that the coordinated effort from governments of various flavours throughout the country, the banks, regulators, etcetera, has really bought time.

So people, we're not seeing companies fall over, people get into really difficult positions today and that's buying time. So - but we know, sadly, that some of that will come, our guess based on experience and a bit of modelling is that that's probably middle of next year when JobKeeper, all these things start to come away or start to reduce.

The bank deferrals won't be there quite at the same degree etcetera. That's when we - so we're using this time as best we can to gear up our resources. Put them in the right place and be prepared for that and, of course, hoping that we don't have to use them.

Operator: Thank you. Your next question comes from Mike Harut with ACSI. Please, go ahead. Pardon me, Mike, your line is now live. Please proceed with your question.

Your next question comes from Brian Johnson with Jefferies. Please, go ahead.

Brian Johnson: (Jefferies, Analyst) Good morning everyone and thank you very much for the opportunity to listen to the presentation and ask questions. Shayne, I had three quick ones. The first one is, on the record, ANZ is quoted as saying you expect housing prices to decline 15% in Melbourne. Can I ask, does that mean that you won't do LVRs above 85% on the home lending at the moment?

The second one is, I'm just intrigued on a comment that was reported that you made in the press where you said, we're going through our core customers name by name and asking how has this customer behaved? How did they treat their employees? How did they treat their supplier? How have they treated the community? Can I ask, does that mean that if you don't get a satisfactory answer that you shed that person as a customer?

Then the final one, I'm just wondering, should we extrapolate these same higher standards across to AmBank that you have the substantia holding in and that you also have a Board representation and a lot of management representation as well?

Shayne Elliott: Yes, I'll answer the last two and I'll ask Mark to answer the first one. So I think with respect, I think your question on AmBank is a bit cheeky, Brian. We don't have any control of AmBank. We are a minority shareholder.

We are just a shareholder like anybody else in a company. We express our views. We have a director who is appointed there whose job is to do the right things for AmBank and it's not our - is not solely there to represent ANZ's interests but you - we would expect and we would certainly be influencing any company we're associated with to hold themselves to high standards.

In terms of the second question, yes, look, yes. I think that we've got this amazing opportunity and we've stressed it across the board with our people, as dreadful as this situation is, it is an incredible learning opportunity. We are going to see our customers put through all sorts of stress, and true character will emerge and we should be very attuned to that.

So we're asking our relationship managers - and I would just stress here for those who are not familiar with my comments, we're talking about the corporate world, the bigger end of town, not the little, very small businesses, but we're talking about businesses. Yes, we're going to see - and I think it is instructive.

I think that people who've treated their suppliers, employees, banks and others well and demonstrate a good character are people we should back for the long term. People who've innovated, people who've adapted quickly, people who've read the tea leaves well and get on with things.

Those that do the wrong thing, yes, we need to not forget that and we need to sit down. Now, we're not going to throw them under a bus. We're not going to walk away tomorrow morning. Because they are our customers and, rightly or wrongly, we're with them today and we'll back them. But over time, we're going to have think twice about sticking with some of those customers, yes, that is absolutely the intent of that. But we won't be walking away in the short term.

Mark, do you want to talk about the 15% house prices? It's a fair question.

Mark Hand: Yes. So I guess a couple of things. When Shayne called that out, that was a worst-case scenario that our economics department had called out at that time. To some extent, some of that's already played out. So prices have already come off from our numbers across the country in different pockets.

What we will do is we do have postcodes where we won't exceed certain LVRs. So there are parts of Australia - and we've seen this in WA in the past, where we've considered WA prices to be lower than what the market probably considered them and we had more conservative lending appetite in those geographies.

So it's not a blanket approach to the whole of Australia, but there are pockets where we won't lend beyond an 80% LVR. There are pockets, we have certain property types, potentially at the top end of luxury properties, where we have more conservative appetite, sub 70% in some cases. So you're absolutely right, there are pockets of the country where we won't go beyond that.

Brian Johnson: (Jefferies, Analyst) Thank you.

Operator: Thank you. Your next question comes from Mike Harut with ACSI. Please go ahead.

Mike Harut: (ACSI, Analyst) Hi there. A quick question regarding the Royal Commission and ANZ's progress. So notwithstanding what you've outlined in the presentation, ANZ hasn't disclosed its full APRA self-assessment compared to some peers. Also, I could be wrong here, but I think there's no ongoing independent review of how you're progressing. So obviously there's the Board review and so forth. But I know that others, like CBA, for example, have an independent review on those.

In that context, there's also the capital overlay in place from APRA for ANZ and peers stemming from the Royal Commission. Given this situation, two questions. Firstly, is it fair to understand that the overlay is a measure of whether APRA is satisfied with ANZ's performance on these matters? So I suppose what are your expectations or what has APRA signalled the process is and the timing for potentially, over the longer term, removing it? Do you anticipate that APRA will look at all the banks together in removing this over time, or will it be each bank separately?

Shayne Elliott: That's a really good question, Mike. So the way that I would think about the overlay, is the overlay there, essentially, is a recognition that says, as a result of learnings through the Royal Commission, APRA has assessed the risk profile of ANZ and some other banks to be a little higher than it had before, from an operational risk point of view or a non-financial risk point of view, and therefore requires us to hold more capital until we can assure APRA or convince APRA that we've made sufficient progress to de-risk the organisation. So I see it as no different than any other overlay we would have in terms of capital.

I think in this particular area, it's almost by nature - the nature of non-financial risk overlays is they're not as mathematical. So it's not as simple as saying, well, if you achieve X it'll disappear, and if you hit some ratio. So there's always going to be an element of judgement here.

So we do have a plan. We're very aware of that overlay. Obviously, we'd like it to be removed. It's not a significant financial burden, but I think it's not a good thing either for us and so we want it removed. We do have an action plan. In fact, it's funny, so just before this meeting I was reading the - there's a Board paper going this week to the Board exactly on that. Exactly to update the Board about, well, what steps have we taken and how are we progressing.

I don't know what APRA's approach will be. All I can say is, again, I would hope that they would take a bank-by-bank approach to that. I think there would be unintended consequences of saying, well, the only way it gets removed if it gets removed for everybody. I don't think that is an incentive for individual banks, like us, to take these things seriously and do them as quickly as possible. So I would hope that they would look at it on a bank-by-bank basis. That is my understanding. Although to be fair to APRA, I can't recall that they've explicitly said one way or the other to me or to the Board.

Just one other thing. On the 16 things for the Royal Commission, you mentioned we haven't given a public disclosure on our APRA self-assessment, and I think we've made it clear why we didn't think that was the right thing to do. But in terms of the 16 items, the recommendations of the Royal Commission, that we had largely within our control, the 11 that we could do on our own we've done. There are four that require legislation from the government, and we await that legislation. There's one which is really to do with culture improvements, which I'm not sure you can ever claim victory on; I think it's an ongoing process.

So we feel we're in really good shape. We'll continue to work with the government to get the appropriate legislation through, so that we can close out the remaining items there.

Mike Harut: (ACSI, Analyst) Thank you.

Operator: Your next question comes from Alison Ewings with Regnan. Please go ahead.

Alison Ewings: (Regnan, Analyst) Thank you. Shayne, it was good to hear you emphasis that in addition to the environmental financing targets you have in place, that you're also working with high-emitting clients on the risk exposure side.

Can you provide a bit more detail - similar to the earlier question, actually - with regard to what the process is should it be identified that clients are unlikely to meet the net zero targets that you've set out within a reasonable timeframe, if indeed there is even sector where that's possible, and how credit policies are being adjusted beyond the already announced energy generation requirements?

Shayne Elliott: Yes, it's really a fair question. So first of all, I gave a bit of a laundry list of the industries there, with transport and logistics and agriculture, food and beverage, et cetera. So we started with those areas that have been identified as the highest emitting sectors and customers that we have. So rather than try to tackle everything, we've gone with the big hundred.

We then asked them to share with us their transition plans. Now, they will all be in very stages of maturity. You can imagine that group of customers, it's quite a broad group of customers with all sorts of things that they do. We haven't prescribed your plan must look like this, it must have this target, it must achieve these things. We're also learning in this. But what we've said is it's really as much about the process as it is about the plan.

So we've said we want to enter into a dialogue with those customers. We've already engaged with 60 of them. We want to hear engagement and dialogue. How are you thinking about this, how do you think about these risks, how actively engaged are you, what plans do you have, are they reasonable, do they align with our values and our ambitions. If not, then we engage and we give feedback. We have been able to give - I know, from talking to the team, we've ended up in constructive dialogue.

I have to say what's been really encouraging about this is that the vast, vast bulk of those people have actually welcomed the engagement as a way for them to learn as well, because we're sharing with our plans. So they see it as a mutually-beneficial engagement.

But if we get to a point - and we haven't yet, I'm glad to say - with a customer where we just don't think they're taking it seriously or we don't think they get it, that to us is a massive red flag in terms of their own risk awareness and their own risk management framework. While it wouldn't be black and white to say, therefore, again we'll exit them, there would be a huge red flag that we would have to sit down, at a relationship level, and say is this the kind of customer that we really want to bank for the long term.

I would say again, if we really don't see an alignment of values, we would move to exit that customer over time. The reason for that is it's a red flag about good old-fashioned risk management. If you're in one of those industries and you're not even thinking about this or you're dismissive - and again I'm not sitting here telling them we know what the answers are. But if you're not even considerate of it or thoughtful, we would have massive concerns about the viability of that business. Therefore, I think good old-fashioned prudent banking says we should find a way to move away from that customer, and that's what we're willing to do.

Operator: Your next question comes from David Humphreys with TelstraSuper. Please go ahead.

David Humphreys: (TelstraSuper, Analyst) Good afternoon, Shayne, and thank you for taking my question. Across the financial services sector at the moment you're seeing I guess expenses creep through, annual leave balances rising fairly dramatically as people are all at home. There's been a fair amount of commentary from the FSU and others on ANZ actively managing annual leave amongst its staff. I note today you've put up a very impressive staff engagement score of 85%. Can you talk about the importance of taking annual leave at the moment, from a staff wellbeing perspective, and how ANZ thinks about that?

Shayne Elliott: Sure. Thanks for the question. So really early on actually, in March when this thing all started happening, the strong feedback we got from our staff, unsurprisingly, and which continues to this day, is people are seeking as much security as they can, including job security. So of heightened importance, and we all can understand that.

So we treat our people as adults. We had a grown-up conversation really early on, and I remember we had this on multiple occasions. We basically laid it out and explained that the best way that we can protect as many jobs as possible, in terms of providing that security, is that we have the financial capacity to do so. The more that we can manage our costs and keep them tight, the better position we're in.

What we don't want to do is get forced into making bad decisions. When we looked at our forecasts annual leave for ANZ was $130 million issue for us, i.e. if people did not take their normal leave, just what they normally take in any period in the second half, we would have had a $130 million cost problem. Of course, then that starts pushing you into that really uncomfortable area; as a management team, well, what do we do to offset it, and sadly sometimes that can mean jobs.

So we had that very grown-up conversation with our people and we asked them to do the right thing. We asked them to do the right thing for their colleagues and themselves. We never said we were forcing anybody. It was never that. There was no coercion. We asked strongly and we pointed out the benefits. We also said, actually, in a time like this it's even more important that people have time out and have breaks from work, particularly when you're working from home.

So we put a bit of a campaign together. I have to say the people of ANZ have stood up so magnificently. Essentially, our people have taken their full entitlements to leave, so we don't have a problem on the cost side. It's through the collective action of 40,000 people, across 33 countries, doing the right thing that is really, I think, one of the best culture indicators that we have, and maintained our engagement incredibly highly. I've taken my leave, Mark's taken his leave, we've all done right across, and I think it's a really good sign. But we did so through having an active engagement of why it was important, what it meant. But that mental break.

We've also said to people, by the way, David, hey, it's not okay to say I'm on holiday, I'm working at home but I'm still actually working. That was not the intention here. The deal was, no, you need to take time out. You know, from a bank's perspective, we have good reasons for compliance leave that require people to take at least two full weeks back to back away from work. We're still insisting on those things. Making sure that doesn't mean you're logging in, doesn't mean you're still secretly doing your work, or getting up early in the morning before the kids are up or something. It is about our breaks. So, we've done that.

I know it's not your question, but we've also engaged, we have a Company psychologist and we've had people, we've been doing webcasts and others, just how do people balance that very grey line now between work and home when physically it's all the same. Just trying to give people tools to be able to manage through that. But it's an important point and sadly, it's going to continue to be an important point, particularly for those in Victoria.

Operator: Once again, if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. We will now pause momentarily to allow questioners to enter the queue. Your next question comes from Brian Johnson with Jefferies. My apologies, there are no further questions at this time. I'll now hand back to Mr Elliott for closing remarks.

Shayne Elliott: I just want it on the record I didn't cut Brian off at all, I was - thank you very much for your time and it was a great pleasure to be able to go through our ESG work today.

As I said, look, I think it's important to say, at a time like this, it is totally understandable when companies become very internally focused and very focused on the short-term. We're working really hard at ANZ to make sure that's not the case. We've not lost our focus on ESG.

COVID is not an excuse for us to walk away, or to dampen our enthusiasm for the work we're doing on who we bank, how we behave and what we care about most, in fact it's actually a reason to double-down on it. I'm really - it might sound naive, but I believe actually the work we've done around purpose and the ESG work over the last few years has actually set us up incredibly well to deal with this.

It's even more important when people are - we essentially have 40,000 offices today, because everybody's sitting at home, we've got 40,000 distributed offices. We can't be sitting over people's shoulders and neither should we. So, we are asking those people to make decisions and we're asking more of them than we've asked in the past and to do so, based on a sense of purpose and values.

As I mentioned [in terms of leave] our people have stood up magnificently around that. It doesn't mean we won't make mistakes, doesn't mean we will get everything right, but I think we're in a really good spot. We're very mindful of our role in coming out of this crisis. We're mindful that the impact on the Bank, to Mark's earlier point, will lag.

Things will open up before the economic area is finished and we're going to have a lot of work to do for the next couple of years. We're going to use this time wisely to prepare ourselves for it. So, thanks for your questions and thanks for your listening today.

End of Transcript