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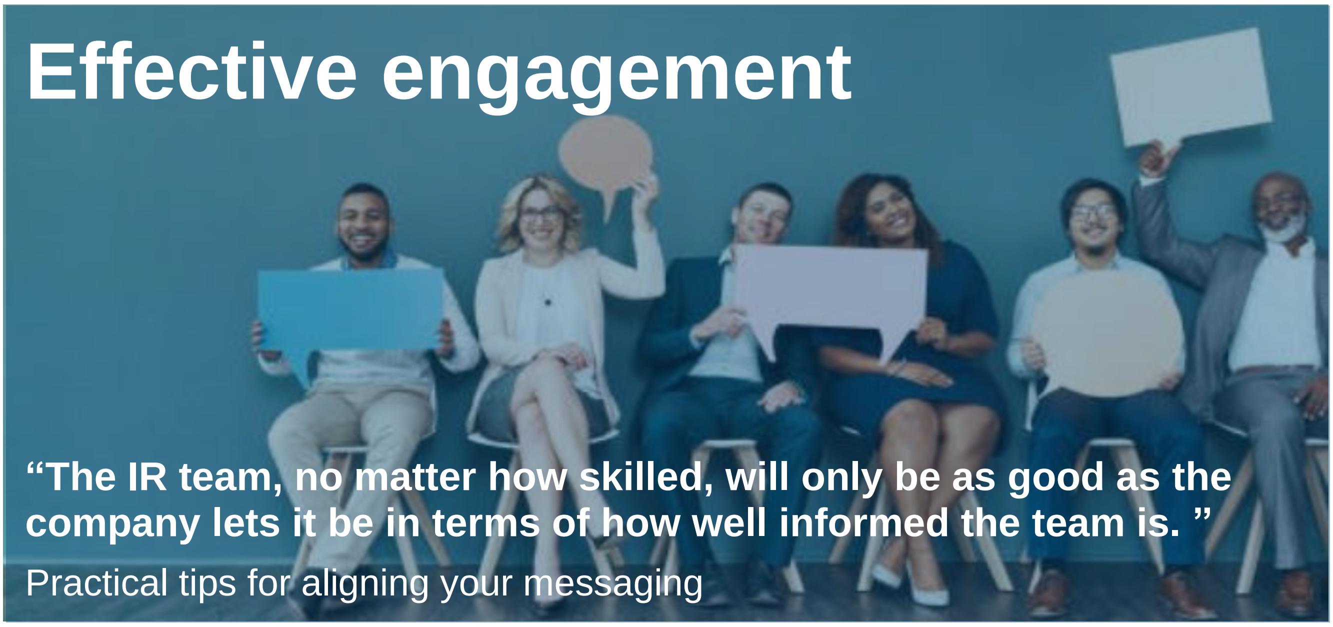
INSIGHT

Effective engagement



“The IR team, no matter how skilled, will only be as good as the company lets it be in terms of how well informed the team is. ”

Practical tips for aligning your messaging

An Orient Capital interview with ANZ Group Limited

In the fourth of Orient Capital’s Insight interviews, we move from the UK to our first interview in Australia.

This edition offers a fascinating topical discussion with Jill Campbell, Group General Manager Investor Relations at ANZ, who provide banking and financial products and services to over 8.5 million retail and business customers, and operate across 33 markets.

In our interview, Luke Allshorn (Orient Capital’s BD Manager in Australia) explores the key approach ANZ is taking to the pandemic, ESG and investor engagement; from roadshows and AGM preparation to Index fund interaction.

“Jill, many thanks for taking the time out for this, we are really pleased to be able to share your insights as an Australian IRO on the past 18+ months and how your thinking has evolved. So firstly, has the pandemic reshaped ANZ’s priorities, what is the outlook for 2022 and what are you focused on?”

If I go back to last year, I think like all companies and all individuals, the initial part of the pandemic for the banking sector was very much about making sure that our people could transition to working from home quickly and easily. We've got 40,000 people so that's no small undertaking. We also needed to consider the safety and wellbeing of those people.

You had a situation where, given that we're a bank, the sector was required to take on quite a significant amount of extra credit provisioning and that's largely model based. Also, we had to think deeply about how do we help our customers through this piece of the pandemic? None of us had ever dealt with this before so you were doing quite a lot of this on the fly. We had to adapt and be agile, and on reflection I think it's now being seen the banking sector handled itself well.

As we came into 2021, it's really been about dealing with the fact that everybody thought this would be over by now and clearly that’s not the case.

So at ANZ we've been focusing on what it means to operate with continued disruption and uncertainty and how against that landscape do we help our people through that? All of a sudden, a large number of our people had to become part or full time school teachers on top of their normal day jobs, increasing the pressure.

Also as the challenges of the pandemic, and largely that uncertainty, keep going, how do we work with our customer, regulators and the government and so forth? So heading into 2022, it's an interesting time. In many ways, the economy is quite strong but we know that underneath that, there are some pockets of real pain.

Virtual does open up a level of agility in discussions with your offshore holders that you certainly don’t have in face-to-face.

ESG…at its heart, is about your risk management framework

So the priority is to try and find a way of continuing to move forward through that uncertainty and keep focused on running the business well. We've been investing in the business at record levels. On the whole the banking sector has done well. Yet it becomes a continuation of dealing with uncertainty while trying to make sure that you're keeping an eye on the future.

"With most of the Australian population recently under lockdown how did ANZ adapt in order to deliver results and the subsequent results roadshow?"

ANZ have a different year end from a lot of companies, so we don't report in August, we report in either late April - early May or late October - early November. As such for the last results, this will be the third or fourth result that we've delivered virtually. We've kind of got the mechanics of that really down pat and have made it a pretty efficient process. I'm really hoping that we don't have to use it again after this lot of results!

Notwithstanding that we all really miss the contact with the market. We were fortunate after the last results we could at least do the Melbourne post results meetings in person but we haven't seen our Sydney shareholders face to face for a while. One thing we have learnt is that it's really about prioritising your time and prioritising managements' time so that you're still thinking about the same level of efficiency as if you were doing it live.

"How have the last 18 months changed how you approach your investor engagement and do you think the adaptations you've made will continue into the future?"

Ultimately yes, this is a really interesting one and is a live conversation. We still believe there's huge value, in face-to-face engagement and building up a relationship that way. We've always, both as a company and IR team put a lot of focus into the efficiency of our roadshows such as who we see and how often.

Certainly the pandemic has opened everyone's eyes up to having a mixed approach. We anticipate it will become a hybrid of maybe one lot of face-to-face followed by some virtual engagement. The challenge initially will be the amount of - if I call it Zoom fatigue - that's out there is significant.

So my guess would be that there'll be, for various reasons, a really pronounced level of focus on face-to-face. I know that's how we're thinking but we will assess the appetite for that with the investors we 'meet'.

Virtual does open up a level of agility in discussions with your offshore holders that you certainly don't have in face-to-face. Engaging with them potentially more briefly but more often, all of those areas of flexibility. So much like the domestic, looking forward to face-to-face but the use of virtual and people becoming more proficient at it has really opened up some opportunities on that front as well.

"ESG continues to be a huge area of focus for investors. How are you seeing that play out?"

ESG has got about 40,000 rabbit holes that you can go down. In reality, ESG has been around forever, particularly the G. You know, talking to companies about their governance and what can go wrong if your governance model isn't up to scratch.

So really, at its heart, is about your risk management framework. Whether that's financial risk, non-financial risks, what have you. So what seems to be driving a lot of the increase in the level of discussion and engagement is really the light going on for more people, be that the public, the investors, about the risk management side of ESG.

How robust is your supply chain management? Are you dealing with climate change in a realistic and effective way? I think what the pandemic did specifically was for a period of time, focus more of the market on the S and social issues came to the fore.

ANZ has been deeply engaged on ESG for a long time. In fact, we just held our fourth annual ESG presentation for the market. Our CEO holds it with one of the other members of the management team. This year it was the chief risk officer.

While the emphasis on ESG has increased and certainly the disclosure requirements have also increased, it's something that all of the banks have experienced for a while. We are though now

ESG is inextricably linked to how you run your company… from how you deal with the community, your customers and your staff

seeing the rise of ESG dedicated funds such as Ethical Partners in Sydney. Nathan Parkin and his team, that's their whole investment thesis and focus. Beyond that, whether it's large or small funds, being aware that this is very much about the quality or otherwise of a company's risk management processes.

“Thanks Jill, and how are you integrating the increased interest in ESG into your investor discussions?”

As I mentioned, we held our fourth annual ESG dedicated presentation last month. That really originated from having a conversation with our CEO, Shayne Elliott, who recognised we spend so much time and effort on presenting the financials and giving the market the opportunity to ask us questions, why don’t we do that with the non-financials?

That was really the birth of our ESG presentation and its since become a popular update. Clearly it's the subject of significant discussion when the chairman meets the governance community but has become a day to day part of stakeholder conversations. So the way we look at it is inextricably linked to how you run your company. It really runs directly to your operational risk management. Be that the governance, be it how you deal with the community, how you deal with your customers, how you deal with your staff.

With the environment, it is such an important discussion around climate change and in the case of a bank, what role can we play in helping our customers become more up to speed if they need to on how to manage the climate change risk or at least have that discussion.

But we also deal with some of our largest customers who are well ahead of the curve on that piece. So I don’t think it's a disparate discussion. I think it's always been intertwined and more recently even more so.

Of course we have a plethora of disclosure on this and it's something we have a dedicated team for. My colleagues who are in the ESG team, provide a significant amount of very high quality disclosure on this for ANZ.

“I appreciate the results have been the recent thing you have been dealing with, but can I ask you about your AGM. What are some of the main challenges for you as IRO in regards to the AGM?”

So this is my twenty third year in investor relations and I thought I'd seen everything and every time I say that I'm wrong!

Last year, of course, we had to deal with the challenge of our first virtual AGM which throws up more logistical questions that you have to plan tightly for. Our chairman, for example, lives in Sydney yet ANZ is based in Melbourne. So what you took for granted in previous years just becomes an extra consideration and part of the planning to work through.

Another element is how you triage questions? You have a duty to ensure that the shareholders have a reasonable opportunity to ask questions. But how do you do that effectively virtually? Last year was the first AGM for our new chairman, Paul O'Sullivan. He had prepared thoroughly and it went incredibly well.

You’ve got all of the normal engagement challenges of an AGM but you're doing the vast majority of it virtually and having to cope with sudden or additional changes. We are very fortunate. We’re a big company and I think within my team we have one of the best event logistics people in the market. She's a superhero when it comes to making sure these things run smoothly!

All we ever hope to achieve by engaging with anyone, including the proxy advisors, is an opportunity to make sure that when they're making decisions or judgements, that they're making them with the right set of facts.

"In relation to the preparation for your AGM, what has your engagement been like with the proxy advisors?"

We have a really productive relationship with them which has been built up over a number of years. That doesn't mean you always agree on everything or that they always support everything. However, what I mean by productive is do we get to have an engagement and when we do, is there a good level of discussion and an exchange of views.

All we ever hope to achieve by engaging with anyone, including the proxy advisors, is an opportunity to make sure that when they're making decisions or judgements, that they are making them with the right set of facts and there aren't any errors in understanding. I think we get what we need in terms of the level of engagement.

"I'm curious on some other Australia specific themes. For example has the growth in funds under management and influence of industry super funds in Australia created new challenges for engagement?"

No, it hasn't. We've always run a process wherein we would deal directly with the industry fund if it had an inhouse equities team and contacts to engage with. So if I use Australian Super as an example, we would always engage directly with them. At the same time, we were also interacting directly with funds that were managing money for them. At a point in time when they moved their bank mandates internally, clearly that level of engagement we'd already had with them was helpful.

We have always run a parallel program, if I put it that way. So what we've been focused on more recently, certainly over the last couple of years, is more of the industry funds who are pulling equities in house. Either in whole or in part. So we've spoken, to groups like HESTA, who are in the process of enforcing some of their equities management. We have already had some of those discussions at a high level to make sure they know we're interested in engaging directly.

That process requires you to be a little bit more agile in terms of who you're talking to and keeping on top of the right contact as when fund managers lose mandates, you switch to talking to someone else. My own experience with the industry funds has been really productive. They have a long term focus and that's always something that any company is pretty heartened to see.

"So has engagement with index and quant investors evolved for you? Obviously becoming a bit more of the piece of the pie as far as Australian shareholders are concerned. But has that process evolved?"

That's an interesting one and a great question. If you think about quant, it depends what model they're running and how involved that model is. There's any number of funds that are what I would call pure quant and they don't seek to have engagement with you or they're not set up to have engagement with you.

If you think about index, you can have funds that I call index aware or where they might have a mandate that allows them a certain amount of tracking error from the index. So they have a mix of needing to engage with you or wanting to engage with you and then there's some at the more pure index end who don't.

When you consider the really big funds, like a BlackRock, a Vanguard or say a State Street, what's changed there is that more often than not these days, I'm not talking to fund managers from those groups. I'm talking to the stakeholder engagement teams from those groups.

For example Vanguard have a very well developed stakeholder engagement team that are currently based out of London who we speak to regularly. And only just last week, I was speaking to one of the stakeholder engagement people from State Street and I've had several engagements with their Boston team this year. Whilst BlackRock have a great team under Iris Davila based out of Sydney and then they've got their regional team as well.

So that's probably the biggest change. Dealing with the very large stakeholder engagement teams and typically that's more on ESG type issues and questions. But it can also be within that, they might want to talk about remuneration practices and focus and so forth.

The IR team, no matter how skilled, will only be as good as the company lets it be in terms of how well informed the team is.

"Finally, how do you see the IR function developing and in your view, what should companies be focusing on?

So the thing I say a lot is the IR team, no matter how skilled the practitioner or practitioners are running it, will only be as good as the company lets it be in terms of how well informed the team is. You will never be effective if you get blindsided. How well resourced are you? Importantly, what does the company think? What does the company management think the IR team is there to do?

Certainly I always get very nervous if (and this conversation doesn't happen in ANZ) but if someone thinks you're there as an IRO to manage the share price. Good luck with that. Because there are many, many things that go into a share price outcome.

In relation to how the IR role and function is developing, there would be a couple of things to focus on. If I think about ANZ, we've always had a lot of engagement around ESG and interacting with our ESG colleagues, but that has exponentially increased.

Likewise, we have a very strong relationship with internal the media team and the communications team. All of those teams should be very tightly knit and very highly engaged with each other because it's so important that the messages that me and my team, the media and communication teams are giving to the market, are lined up. They must be the same. Otherwise, at best they won't be effective. At worst, it can actually be quite dangerous.

I think it's really important for an IR practitioner to have an equally high level of internal engagement and external engagement and the ability to really switch quite quickly and focus. This will be particularly important in the next couple of years, because you don't have a disruption as significant as a global pandemic and come out of that in a smooth line.

The banks, unfortunately had a bit of practice with the global financial crisis. So we know a crisis when we see it. This one the banks haven't been at the heart of it, thank god, in terms of the cause. However, we've actually all been pretty well set up going into it.

But I think for companies, it's really been very much focused on the operational risks that you are managing and how you deal with those and how you communicate that with your constituents.

"Jill, thank you for sharing your insights with me. We've covered a lot of ground and it's been a really interesting conversation. Thank you so much for your time."

Meet the expert

Jill Campbell, as Group General Manager Investor Relations, is responsible for ANZ's global investor relations program and for the management of ANZ's relationships with institutional shareholders and investors, research analysts, brokers, governance advisors and retail shareholders.

Jill has 23 years' experience in senior Investor Relations and Communications/Corporate Affairs roles across a range of major Australian corporates from $1b to circa $90b in market cap including 13 and a half years in her current role at ANZ (others incl. AMP, Lend Lease, David Jones and PBL). 6 years as a Board Member of the Australian Investor Relations Association (AIRA) as well as one of 6 inaugural AIRA Fellows (2013).

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