

Australia and New Zealand Banking Group Limited

Report to APRA on self-assessment

30 November 2018

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Chapter 1 Introduction and approach

- 1.1 On 1 May 2018, the Australian Prudential Regulation Authority (**APRA**) released the Final Report of the Prudential Inquiry into the Commonwealth Bank of Australia (**CBA**) (the **Panel Report**). By a letter dated 4 June 2018, APRA asked Australia and New Zealand Banking Group Limited (**ANZ**) to submit to it a written self-assessment, endorsed by the ANZ Board, to gauge whether issues similar to those identified in the Panel Report might exist within ANZ. The letter asked us to focus on culture, accountability and governance. This report has been prepared in response to that APRA request.

Assessment domains

- 1.2 For the purposes of the self-assessment, we developed a series of headline statements and supporting hypotheses (**assessment domains**) against which to examine the embedment and effectiveness of culture, accountability and governance across the ANZ Group. The assessment domains were developed through seven workshops and discussions facilitated by PricewaterhouseCoopers (**PwC**), who also provided structure and the challenge of an external party. The workshops were attended by approximately 25 senior representatives drawn from a range of our business divisions and functions, and were designed to give specific focus to the issues and recommendations arising from the Panel Report.
- 1.3 The assessment domains were developed specifically for the purposes of the self-assessment. They have not been drawn directly from pre-existing statements (e.g. accountability statements, or our Purpose and Values), although that material is clearly reflected in components of them.
- 1.4 The assessment domains were examined through a range of activities designed to provide depth and breadth of challenge.
- 1.5 The final assessment domains adopted for the purposes of the self-assessment are set out in Appendix 1. We recognise that there is overlap and interdependence between the three domains and this is evident in the examples, findings and insights set out in the report below.

Documentary review

- 1.6 The assessment domains were tested against existing evidence of our frameworks and practices. This process identified a range of documents including charters, policies, Board and committee papers and past survey results considered to be relevant to the self-assessment. This enabled consideration to be given to significant existing or ongoing work such as our comprehensive and annual CPS 220 reports¹ and our implementation of measures in response to the Bank Executive Accountability Regime (**BEAR**).

Survey

- 1.7 In addition to recent company-wide surveys such as MyVoice, 121 senior executives were asked by the ANZ Chief Executive Officer (**CEO**) to participate in a survey. The survey was designed as a diagnostic tool specifically to test the assessment domains and provide additional data to challenge and direct us as to areas of possible further focus.

Interviews

- 1.8 25 interviews were undertaken with ANZ Board members, the senior executives who meet as the Group Executive Committee (**ExCo**), and certain other executives, to capture individual insights on culture, accountability and governance from our senior leadership.

¹ APRA's Prudential Standard CPS 220 Risk Management is referred to in this report as **CPS 220**.

Focus groups

- 1.9 Other employees participated in ten focus groups comprising a total of approximately 80 people. Participants were drawn from various levels of our businesses and functions, including customer facing and operational areas, and branch staff. The focus groups extended to staff six levels below the CEO. The focus groups were designed to provide insight into the impact of our culture on our behavioural risk profile. They supplemented work previously undertaken by Internal Audit as part of 32 recent culture reviews involving interviews, focus groups and surveys covering more than 21,000 employees.

Case studies

- 1.10 We examined the following three case studies in depth in order to test the assessment domains:
- (a) **Payments outage:** The Bank's ability to make automated real time gross settlements and international payments suffered an outage on 12 June 2018. The outage adversely affected a large number of stakeholders including our customers, the Reserve Bank of Australia (**RBA**) and other banks.
 - (b) **Unapplied funds:** In January 2018, we notified the Australian Securities and Investments Commission (**ASIC**) that we had identified a number of customer accounts which had been or should have been closed but which held credit balances. Affected accounts existed across a number of products. Following the notification to ASIC, the issue was referred to our Responsible Banking Tribe in around April 2018 for customer remediation, and all system fixes are targeted to be implemented by February 2019.
 - (c) **Financial crime:** In August 2017, AUSTRAC commenced proceedings against CBA in relation to alleged non-compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) in relation to its automatic teller machines (**ATMs**). Although AUSTRAC had found no evidence of non-compliance by ANZ, we undertook a detailed examination of the CBA claim and the issues identified in it to assess the robustness of our own systems as well as to identify possible emerging risks and best practices.

The case studies involved documentary review and 38 staff interviews. More information about the case studies is set out in Appendix 3.

Board self-reflection

- 1.11 Finally, our Board undertook a self-reflection which considered the assessment domains.

Geography

- 1.12 The self-assessment has focussed on our operations within Australia.
- 1.13 Further detail regarding our approach to the self-assessment is set out in Appendix 1.

Chapter 2 Executive summary

- 2.1 The steps taken in recent years to simplify our business, combined with a stronger sense of core purpose, ethics and fairness, have produced better outcomes for our customers, our shareholders and the community.
- 2.2 At the same time, we have recognised that there have been instances where we have failed our customers. Where this has occurred we are determined to make things right as quickly as practicable. Significant resources and priority have been given to this task.
- 2.3 The expectations of leaders across all levels of the Bank have increased with a renewed focus on improving accountability and transparency. We are taking action through New Ways of Leading (**NWOL**) to provide our leaders with the skills required to meet these increased expectations. We are seeking to improve the balance between returns for our depositors, profits for our shareholders, reward for our employees and providing fair and responsible products to our customers. We recognise that long-term earnings sustainability is only possible with the provision of compelling products and services to our customers that are also fair and reasonable.
- 2.4 Our Board and Executive team recognise the need to understand the root cause for past failings and have welcomed the self-assessment as an opportunity to deepen our self-awareness and to actively learn from these failings.
- 2.5 In line with our stated approach for the self-assessment, we have tested the effectiveness and embedment of culture, accountability and governance.
- 2.6 **Critical findings:** The testing of our hypotheses reinforces the following critical findings. There is considerable overlap and interdependencies between these findings but for the purposes of this report they are organised and discussed as indicated below.
- 2.7 In relation to culture, we found that:
 - (a) a compliant culture, with a strong loyalty to teams, heavily influences our behaviour;
 - (b) short-term tactical fixes have frequently been put in place at the expense of long-term strategic solutions; and
 - (c) what it means to be customer centred lacks clarity and structure.
- 2.8 In relation to accountability, we found that:
 - (a) what we are accountable for too often lacks clarity below senior executives; and
 - (b) accountability for outcomes has lacked transparency, particularly in relation to inaction or poor performance.
- 2.9 In relation to governance, we found that:
 - (a) there are fragmented infrastructures, drawn-out processes and siloed teams within ANZ;
 - (b) complexity delays swift action and increases reliance on informal networks;
 - (c) aspects of non-financial risk management lack maturity;
 - (d) we have not consistently completed change and remediation programs; and
 - (e) we are in an accelerated change environment, heightening the stress on existing mechanisms and associated governance practices.
- 2.10 While aspects of these themes and outcomes are familiar, they reflect the challenges we have in consistently putting good intent into practice to enable the completion of initiatives. The behaviours that have allowed the themes to persist have been hard to shift. In relation to the critical findings, there is a conditioned acceptance that it's 'all too

hard' or 'it's the way it's always been'. This is despite the significant investment over recent years in understanding and changing these aspects of our structure, processes and culture.

2.11 Many of the cultural traits highlighted by the self-assessment can have both positive and negative consequences, depending on the circumstances. A compliant culture is one example. We look for permission to act and have a strong inclination to follow process. This can have a positive impact in the right context. However, our teams do not always speak up, and when permission or process is ambiguous or unclear, we can be conservative in our decision-making. Alternatively the outcome is that we do nothing.

2.12 While the self-assessment was not designed to identify all of the strengths inherent within our Bank, there were a number of positive findings, some reflecting recent progress, that are important including:

- (a) a strong relationship between the current Board and senior executives with evidence of robust, constructive challenge;
- (b) strong support for the CEO's authentic and personal commitment to transformation;
- (c) a strong intent and commitment to deliver on our Purpose and live our Values;
- (d) improved understanding of our cultural drivers gained through several years of investment and activity; and
- (e) the strength and maturity of our financial risk management framework.

2.13 We recognise the urgency for change and work is already in progress in response to many of the issues identified in the report below. Amongst other things:

- (a) we are simplifying and decommissioning products, thereby reducing the number of issues that require monitoring and analysis, and enabling greater focus on remaining products;
- (b) we have encouraged our leaders to adopt NWOL that are aligned with our Purpose and Values;
- (c) a Consequence Review Group reviews significant risk and compliance issues and assesses the consequences for those involved; and we have announced decisions regarding changes to our past and current executive and variable remuneration to signal clearer accountability for our failures;
- (d) we have given significant resources and priority to improving customer remediation; and
- (e) we have implemented governance changes and dedicated specific resources to our management of some long-standing technology issues such as asset lifecycle management.

Other examples of work that is in progress are referred to in the report below. We acknowledge that many of these initiatives are recent and that their outcomes are yet to be proven.

2.14 We also recognise that a critical finding of our self-assessment is that there has been a tendency to put in place short-term tactical fixes at the expense of long-term strategic solutions that fully address root cause. A number of the critical findings raise far-reaching issues that affect many large, complex businesses and which we cannot expect to resolve quickly or easily.

2.15 In this context, we will look to create a roadmap over the next six months for prioritising and addressing the key issues raised by the self-assessment. This work may require us to re-evaluate and re-prioritise some of the substantial work-in-progress that is ongoing within the Bank.

Chapter 3 Board self-reflection

- 3.1 In considering the areas of culture, accountability and governance, the Board looked at four areas:
- (a) what the Board considers it does well;
 - (b) what is on the 'pathway' being navigated by the Board;
 - (c) what the Board sees as needing further attention; and
 - (d) the relationship between the Board and Management.
- What the Board does well**
- 3.2 **Composition of the Board itself:** The Board has seen the importance of its own membership being conducive to the proper governance of a complex, large bank. With this in mind, the Board has constituted itself as highly diverse through various lenses:
- (a) the Board comprises members whose skills and experience is spread over numerous business sectors (including but not limited to banking);
 - (b) the Board is diverse in its gender; and
 - (c) the Board is diverse in the past and present geographic focus of its members.
- 3.3 **Appointment of the Chair and selection of the CEO:** The appointment of the Chairman and the selection of the CEO have been fundamental to the transformation of our Bank that has occurred and is occurring. In choosing the CEO, the Board, led by the Chairman, looked for a person who was highly experienced in the complex business of banking with demonstrated experience in managing large customer businesses. It also looked for a person who had the desired values to set an outstanding personal example to the large workforce at the Bank and who had the vision and drive to change ANZ to a bank which would be greatly respected (for its treatment of its customers, its engagement with government and regulators and its own people) and would deliver an acceptable level of sustained profitability. The Board believes that it has such a CEO in Shayne Elliott.
- 3.4 **Consideration of strategy:** In considering the strategy recommended by Management, the Board knew that it had to steer the Bank towards a structure which would be considerably simplified to succeed in a digital world.
- 3.5 **Endorsement of significant changes:** The Board has considered and endorsed a number of significant changes proposed by ANZ Management, including:
- (a) substantial changes at senior Management level;
 - (b) making the decision to sell the wealth management and life insurance businesses;
 - (c) exiting retail banking in Asian markets;
 - (d) significantly rationalising the institutional lending portfolio;
 - (e) endorsing the implementation of Agile in our Australia and technology divisions; and
 - (f) greatly reducing the number of products and systems.
- 3.6 These decisions have seen us exit many profitable businesses but have been critical to the ongoing transition of the Bank towards a simpler, better bank aligned to our Purpose.
- 3.7 The self-assessment highlighted the Board's deliberate focus on building trust with Management, on fully understanding and evolving the culture of the Bank and on cultivating a strong team ethic at the Board, blending the deep and diverse experience

and skills that individuals bring. These are significant enablers of the impact the Board has, and continues to have, on our transformation (which commenced almost three years ago).

- 3.8 At the same time, the Board has reflected on the events of the past few years and its judgement in balancing the many priorities on its agenda. The Board under the current Chairman has been challenging the team to have a more strategic lens focused on the sustainability of the Australian and New Zealand businesses. In the past, the Board's attention was unduly centred on short-term profitability and relative performance against our peers alongside the imperative to be unquestionably strong, and the increasingly granular focus and compliance-driven view of risk management.
- 3.9 The Board has also driven a reflection on its capabilities and an acknowledgement of certain gaps. This most notably relates to technology and its effect in the marketplace, where knowledge and experience gaps have recently been managed through expert input. Continuing to address these gaps is a priority for the Chairman and the Board.
- 3.10 **Culture has been a focus:** Over the past few years, the Board has had an intense focus on the culture of the Bank.
- 3.11 Interviews with directors and senior executives, together with findings from the executive survey, consistently reinforced the Board's deep and long term focus on understanding the culture of ANZ. Board papers for the past three years evidence the extensive information on culture requested and reviewed by the Board, particularly on risk culture, and the time taken by the directors in various forums to reflect and act.
- 3.12 This focus was catalysed by a number of challenges in the Markets business in 2013 which highlighted to the Board the risks that arise when inconsistent cultures or sub cultures are not adequately recognised and understood, and therefore not properly monitored and managed. Work performed in response revealed key cultural traits of the business and informed Board and Management decisions to change the environment (the risk climate) and the way these traits present. The work also assisted in informing an ongoing focus on 'purpose' in ANZ's strategy, with an emphasis on fostering a 'speak up' culture across the Bank.
- 3.13 Critically, a systematic program to review and report on the Bank's risk culture was commenced in 2016 under the stewardship of the Internal Audit function. This assessment has revealed a gap between current and desired behaviours, which in some respects is unsurprising given that sustainable cultural change is a long-term proposition. Nevertheless, the understanding developed through this work is allowing the Board to monitor progress and is providing an ever more complete consideration of 'human factors' as the Board frames and makes decisions impacting both the short- and long-term.

The current pathway

- 3.14 Over the past 18 months, the Board has paused to reflect with Management on areas where the Bank needs to increase its efforts. It has focused in particular on two aspects: first, the sectors and the individual customers we wish to bank; second, how to improve the quality of our engagement with customers, including when we have damaged the financial interests of our customers.
- 3.15 The CEO chairs the Ethics and Responsible Business Committee (**ERBC**), an executive committee that has evolved from a predominant focus on reputational risk to encompass a broader ethical dimension to help sharpen our focus on fair and responsible banking. The role of the Board's Ethics, Environment, Social and Governance Committee (**EESGC**), led by the Chairman, has recently been expanded with the intent of explicitly considering the genuine needs of customers as the priority. The Board has reflected on the fact that the demands of the investor community for increasing returns has likely contributed to a reduction in focus by banks on the needs of their customers.

- 3.16 Product and service complexity has led to failures in, among other matters, the charging of fees and interest. The Board has endorsed the strategy to reduce the number of products and to simplify the operations of the Bank.
- 3.17 Complexity has damaged our customers. We have been slow to remediate customers when things have gone wrong. The Board has encouraged Management in its enhanced program to strengthen our remediation process: to expedite refunds and, importantly, to learn from our errors to avoid recurrence.
- 3.18 Governance improvements, including those above, together with the intense focus on remediation, are two of the central areas of focus on the Board's current pathway.

Areas needing further attention

- 3.19 Technology has been called out as an area for sharper focus. The Board has considered this and resolved not to appoint specialists as directors but to co-opt external expertise through the establishment of an external advisory panel that advises directors when meeting as the Digital Business and Technology Committee (**DBTC**).
- 3.20 Orientation to longer-term customer interests is a specific priority and, while at any early stage, recent initiatives are providing greater engagement by directors with both customers and customer facing teams to inform and evolve this.
- 3.21 The Board's awareness of the risks from complexity of systems, operations and ways of working has led to sharper and more urgent attention from the Board over the last 18 months. This followed the flagging of significant open technology risks by Management and a realisation that understanding had not been deep enough. Board papers demonstrate a continued and growing level of issue escalation, discussion and challenge with respect to technology, process and operational issues since this time.
- 3.22 Finally, remediation of customer outcomes and certain non-financial risk issues has taken too long. The Board acknowledges the need to redress this, given the large number of in-flight remedial programs and the many other initiatives that are required to adapt the Bank to a rapidly changing competitive and technological environment. These factors are driving a dramatic change in business routines and an adaptation of skillsets, governance and accountability mechanisms, with a rebalancing of the focus to the longer-term, is required. This is currently a priority for the Chairman and the Board.

Relationship between Board and Management

- 3.23 Interviews with directors and senior executives, together with findings from the executive survey and meeting observations all provided strong evidence of a focus on increasing trust and transparency between the Board and Management. Board and Management interact at meetings with respect, and key Board decisions on Management (such as the choice of CEO) have been guided by this aspiration.
- 3.24 Evidence gathered from interviews and meeting observation supported the presence of candid, open debate between Management and the Board (and among the directors themselves). While executives are instructed to be comprehensively prepared for the challenge they will receive at Board meetings, they communicate a sense of being treated fairly and with respect. This is intended to cultivate a safe environment for issues to be raised without fear or favour. There is evidence of regular, meaningful and appropriate engagement among the Board and between Board members and senior Management outside formal meetings, particularly between the Chairs of Board Committees and the relevant executive. Evidence from interviews indicated this communication is robust and tends to be the forum in which specific challenges are raised, with Board meetings enabling constructive discussion as a result.
- 3.25 The Board demonstrates clear intent to challenge Management on issues, and Management reports that they are clear on the importance that is placed on issue resolution by the Board. However, ongoing focus is required to ensure mutual clarity on

priorities and temporal expectations given the criticality of delivering the number of key remediation and transformational programs in flight.

- 3.26 The Board will consider its own practices, including the operating rhythm of Board Committee meetings, to ensure that priorities for completion are unequivocally understood and close monitoring of agreed accountabilities can take place.
- 3.27 A deliberate decision was also taken by the Chairman to encourage all directors to attend all Board Committee meetings regardless of Committee membership, wherever possible. The assessment has shown this decision has ameliorated risks of inconsistent information flows between committees and into the Board. However, if attendance patterns were to change, information flows between Committees and from Committees to the Board would require attention.

Chapter 4 Culture

- 4.1 We tested culture against the following headline statement: Our culture and values are critical to delivering on our strategy and Purpose. It evolves and shapes our actions so that we can deliver what we expect of ourselves and what others expect of us.
- 4.2 Overall, the self-assessment found significant evidence supporting efforts over a number of years to understand, monitor and track the culture of the Bank. These efforts originated in the financial markets business in 2013 and have been expanded to programs led by Internal Audit and Talent & Culture. They are continuing to assist in the design of aspirational programs to drive change, including our Purpose, Values and desired behaviours.² Recent employee surveys indicated that over 90% of respondents consider ANZ's Purpose when making decisions.
- 4.3 To support our culture transformation, we are taking steps to encourage our leaders to adopt our NWOL that are aligned with our Purpose and Values. NWOL are five behaviours relevant for all staff and imperative for people leaders: be curious, create shared clarity, empower people, connect with empathy and grow people selflessly.
- 4.4 Despite our efforts, ongoing measurement indicates a persistent gap against our desired behaviours. There is evidence that deep-seated cultural traits that drive positive behaviours across the Bank in the right context (e.g. a compliant culture and a strong loyalty within teams) sometimes conflict with our desired behaviours (being customer centred, learning, and simplifying).
- 4.5 The complexity of existing policies, procedures and operations contributes to and evidences a tendency to pursue short-term tactical fixes at the expense of long-term strategic solutions. This behaviour affects our aspiration to simplify. Further, an environment where we can learn from mistakes is not consistently fostered across the Bank.
- 4.6 The findings showed that what it means to be customer centred lacks clarity and structure. Changes to enable this are in progress, but it will take time to embed a customer-centred mindset across the Bank and to build the necessary skills.
- 4.7 These themes, and the key findings and evidence that support them, are considered below. The insights about culture outlined below provide examples of how our cultural traits influence the way things work within our Bank.

Our compliant culture, with a strong loyalty to teams, heavily influences our behaviour

- 4.8 We have invested in understanding our prevailing cultural traits and operating climate. This work identifies several dominant cultural traits that in many ways explain how things work and why some things do not. While these traits help us to realise certain aspirational outcomes, they create challenges in realising others. The ongoing work being undertaken across the Bank to understand our culture highlights some of these specific challenges and potential ways in which leaders and teams can change.
- 4.9 Overall we concluded that:
 - (a) we have a compliant culture, with people demonstrating a strong desire to 'do the right thing';
 - (b) a deep-seated respect for loyalty exists in many areas of the Bank, specifically within close teams where there is strong collegial support;

² Further detail about our Purpose, Values and desired behaviours is set out in Appendix 2.

- (c) we sometimes focus more on team goals rather than broader enterprise goals; and
 - (d) there is a greater reticence to speak up about work practices than about matters of integrity.
- 4.10 **A compliant culture:** We have a compliant culture, which influences many aspects of our behaviour. We look for permission to act and have a strong inclination to follow process. When permission or process is ambiguous or unclear, we default to reliance on our immediate teams and informal networks. This can lead us to be conservative in our decision-making. Alternatively, the outcome is that we do nothing.
- 4.11 The imperative to be compliant is strongly embedded. Our Code of Conduct, designed to help staff members make fair, balanced and ethical decisions in our day-to-day work, sets the expected standards of professional behaviour linked to our Values. Our staff are aware of behavioural expectations through our leaders' ongoing efforts to reinforce our Values in conversations, written and video communications and performance management. One of the guiding principles enunciated through our Code of Conduct is that we comply with our Code, the law and ANZ policies and procedures. A compliant culture is also reinforced by the sentiment that in the past we have been unforgiving of mistakes and adverse outcomes, although the precise basis for this sentiment is unclear.
- 4.12 As demonstrated through documentary evidence, this cultural trait contributes to a discomfort with ambiguity or 'grey areas'. In turn, this has contributed to the development of complex systems and processes to help people feel safe (e.g. through the creation of additional checklists to support processes). A conservative approach to risk management often results in the addition of overlapping layers of protection to respond to specific incidents or contain specific issues, rather than a holistic re-assessment of process.
- 4.13 **A deep-seated respect for loyalty exists in many areas of the Bank:** Within close teams, respect for loyalty creates strong collegial support and generally results in swift and cohesive execution of leader-led initiatives. The focus groups and case studies highlighted a dependence on informal networks for accessing assistance and information. While informal networks were generally seen as a positive thing, some of the discussions also highlighted concerns about the reliability and speed with which the right person could be identified and contacted.
- 4.14 Strong team loyalty and the reliance on informal networks were illustrated by the payments outage case study. Feedback from that case study also indicated that joint lesson-sharing sessions after the incident helped to strengthen relationships between different parts of the Bank going forward.
- 4.15 **Focus on individual goals and key performance indicators:** Our federated structure creates a strong sense of ownership and identity within divisions and functions. These qualities have enabled leaders to drive strong team performance and have provided their teams with clear performance objectives. This cultural trait sometimes presents challenges in collaboration across businesses, within functions such as Risk and Talent & Culture, which are federated, and between businesses and enablement functions such as Technology. We operate a global business requiring collaboration across multiple jurisdictions and cultures. A lack of coordination impairs the sharing of information and priorities across the breadth of our operations.
- 4.16 **Reticence to 'speak up':** In recent years we have undertaken numerous interviews and focus groups to better understand the drivers and impediments to 'speaking up'. The self-assessment indicated that the concept of 'speaking up' in relation to integrity issues such as workplace behaviour or misconduct appears to be strong and a variety of mechanisms have supported these aspects of 'speak up' (e.g. a safe environment created for people through the whistleblower program and access to Employee Relations).
- 4.17 Focus groups demonstrated that people are more reticent to raise queries, concerns or suggestions relating to day-to-day work practices, specifically when there is:

- (a) a lack of confidence that anything will be done even if an issue is raised;
 - (b) a fear of not being seen as committed or able to embrace change or new ways of doing things, which might have an adverse impact on one's standing (including the perception that the person's employment may be at risk); or
 - (c) a concern that the person who identifies a potential problem will be tasked to fix it, in circumstances where people feel they lack the capacity or resources to take on additional responsibilities.
- 4.18 While respectful challenge at Board and senior executive level is perceived to be constructive, feedback from focus groups suggested that there is more work to do at other levels of the Bank to define what 'respect' means and where the line sits between constructive challenge and lack of respect.

Short-term tactical fixes have frequently been put in place at the expense of long-term strategic solutions

- 4.19 An increasing number of regulatory, process, policy and other changes has triggered an ever-expanding set of requirements across our operations. There is a tendency to overlay and compound an already complex system with further 'content' because it is easier in the short-term to add than re-design or reform.
- 4.20 Overall we concluded that:
- (a) our efforts to promote a learning culture have not yet succeeded in ensuring that people have the capability and capacity to reflect on lessons learned in order to simplify our way of working;
 - (b) there is an emphasis on creating more activity rather than understanding the root cause, specifically when things have gone wrong; and
 - (c) some people are reticent to speak up about issues because they are concerned that they will become accountable for fixing them.
- 4.21 **People do not have the capability and capacity to stop, reflect and simplify our work based on learnings:** Although we identify learning as a desired behaviour, our findings indicate that a learning culture is not consistently fostered across the Bank. Feedback from focus groups indicated a concern that, in a period of rapid change, it has been difficult to reflect and capture lessons learnt while also managing business-as-usual activities.
- 4.22 Some interviewees said that the combination of our own transformation agenda coupled with a challenging external environment made it difficult for executives to devote time and energy to 'being curious' – standing back to reflect, innovate and simplify through the design of strategic solutions.
- 4.23 The staff survey identified a strong need for more learning and personal growth and focus groups identified an environment lacking a 'test and learn' style. The 'New Ways of Working' (NWOW) program in our Australia and Technology divisions is an embryonic effort to address this challenge (approximately 10,000 people have been involved in NWOW to date).
- 4.24 **There is an emphasis on creating more activity rather than understanding the root cause, specifically when things have gone wrong:** Feedback from focus groups conveyed a strong tendency to create and drive activity to implement immediate workarounds. This can be at the expense of fully addressing root cause which may involve fundamental reform or re-design.
- 4.25 Feedback from focus groups indicated that customer-facing staff often consider they are at the forefront of criticism when things go wrong, even though the 'root cause' of a problem lies elsewhere.

- 4.26 Nonetheless, there are important examples of efforts and investment to be proactive and strategic in identifying and managing risks. The financial crime case study illustrates deliberate investment by the Bank, and efforts by leaders to reflect and take action, to improve current practices by reference to global benchmarking and best practice. Although AUSTRAC's ATM assessment identified no evidence of non-compliance by ANZ, our response to AUSTRAC's findings in relation to CBA demonstrates we were diligent and proactive in seeking to draw lessons in order to improve our framework and practices.

What it means to be customer centred lacks clarity and structure

- 4.27 We have implemented a number of mechanisms to produce better outcomes for customers, as outlined in our strategic focus. We are continuing to design and implement initiatives that help to ensure that the 'voice of the customer' is heard at all levels of the Bank and influence the way we engage with and serve our customers.
- 4.28 Overall we concluded that:
- (a) our senior leaders, business strategy and Purpose encourage staff to more fully consider customers in the decisions they make;
 - (b) what it means to be 'customer centred' is still evolving; and
 - (c) a disconnect between customer and non-customer facing groups impacts the speed and efficiency with which we deliver customer outcomes.
- 4.29 **Prominence of customer within our Purpose and Strategy:** Our documentary evidence demonstrates ongoing efforts by our Board and senior leaders to reinforce the importance of our Purpose and Values, with a strong tone supporting the ethical treatment of our customers. The ERBC has developed a more complete decision-making framework, bringing together the foundations of ANZ's Purpose ('why we exist'), Values ('what is good'), principles ('what is right') and circumstances ('what is feasible') to assist ANZ's leaders and people to think through complex decisions. The Board's EESGC also has an explicit focus on ethics.
- 4.30 In a recent staff survey, 92% of respondents said that they consider ANZ's Purpose when making decisions.
- 4.31 **What it means to be 'customer centred' is still evolving:** Our documentary evidence and focus groups demonstrated an enhanced framework and practices to support fair customer outcomes. However, we have further work to do. For example, a lack of clarity exists as to the boundaries of our discretion to determine how best to meet our customers' needs and some staff feel that they lack the skills to have customer conversations about this issue. Below senior executive levels, some ambiguity or scepticism exists regarding the relative assessment of financial performance and customer outcomes in reward mechanisms.
- 4.32 **Disconnect between customer and non-customer facing groups:** Evidence from focus groups demonstrated that there is some resistance among staff within business divisions to challenge by Risk and Compliance against the release of certain products or services, on the basis that the front line is better placed to understand the customer, product and service and to make the assessment. There is also a lack of clarity and consistency as to roles and responsibilities as between our first and second lines of defence in some areas.
- 4.33 This disconnect, combined with system, policy and process complexity, can have a significant impact on the customer. For example, the payments outage case study illustrates the impact that our non-customer facing actions (e.g. our systems) can have on customers whose day-to-day relationship is with other areas of the Bank.

Culture – summary table

- 4.34 A summary table which maps the key culture themes identified above to the assessment domains is set out in Appendix 4.

Chapter 5 Accountability

- 5.1 We tested accountability against the following headline statement: We are answerable for the outcomes of our actions, inaction and decisions.
- 5.2 What we are accountable for is clearer at the level of the Board and ExCo. However, accountability was less clear below senior executive level. Accountability for outcomes has lacked transparency, particularly in relation to poor performance and inaction.
- 5.3 Monitoring, recognition and reward of accountability has also lacked transparency. A number of focus groups, interviewees and executive survey respondents challenged the consistency and the rigour of consequence management in practice.
- 5.4 These themes, and the key findings and evidence that support them, are considered below.

What we are accountable for too often lacks clarity below senior executives

- 5.5 We have a number of mechanisms that seek to ensure that individuals understand their roles and responsibilities and the boundaries of their discretions. These mechanisms include BEAR accountability statements for each accountable person and ANZ's accountability map (which are accessible by all staff on our intranet), individual role mandates, and performance plans and reviews (which are set in alignment with divisional/functional scorecards updated annually). They also include committee charters, policies and procedures (as applicable) which were reviewed as part of the document review.
- 5.6 Overall we concluded that:
 - (a) Board and ExCo accountabilities are well documented and more clearly understood; and
 - (b) accountabilities below the level of senior executives are less clear due to incomplete documentation, organisational complexity and the volume of change.
- 5.7 This contributes to our people being hesitant to make decisions when they are unable to clearly and easily navigate their way, and to a reliance on informal networks.
- 5.8 **Board, ExCo and senior executive accountabilities are well documented and more clearly understood:** The document review supported by the executive survey and interviews found that Board and ExCo accountabilities are well documented and more clearly understood following the implementation process for BEAR. This process involved understanding accountabilities and responsibilities across ANZ's accountable persons, including identification of areas requiring further clarification which were subject to scenario workshops. Scenario workshops were used to test our confidence in the allocation of these accountabilities prior to BEAR registration with APRA, which included the submission of our list of accountable persons, accountability statements for each accountable person and our accountability map.
- 5.9 The executive survey indicated that 82% of respondents considered that they have clear documented accountabilities and 98% considered that their direct reports have a clear understanding of their accountabilities. However, a significant minority of respondents considered that some accountabilities at ANZ are still unclear. This suggests a widespread acknowledgment of a need for additional clarity below senior executive level.
- 5.10 **Below senior executive level, accountabilities are less clear due to incomplete documentation, organisational complexity and the volume of change:** Role mandates are not consistently required across the Bank. Our performance planning

process is the primary mechanism to set, manage and measure individual role objectives and expectations. However, within this process there may be lack of clarity or consistency about how objectives are to be achieved, particularly where objectives require collaboration across different areas of the business. The NWOW performance model is a 'test and learn' approach to performance management as part of a broader piece of work we are doing to 'reimagine reward'.

- 5.11 Overall, findings from the document review and feedback from interviews and focus groups identified inconsistent and informal practices being adopted for role clarity, outside those captured by BEAR. In particular:
- (a) the document review found there was a lack of formal role descriptions across ANZ;
 - (b) focus groups highlighted that role clarity was mixed:
 - (1) the volume of change impairs role clarity (e.g. as change activities are added and undertaken 'on the side of the desk' and in addition to business-as-usual activities); and
 - (2) a number of participants have seen NWOW improve accountability by removing some of the hierarchical layers and increasing transparency across the business; but others considered that it had become increasingly difficult to get things done with daily changes causing confusion; and
 - (c) the payments outage case study illustrates a lack of clarity in accountability:
 - (1) our management of the payment outage incident on the day relied heavily on informal networks when documented policies, procedures and communication protocols were perceived to be inadequate; and
 - (2) Technology lacked visibility and understanding of the end-to-end impact of actions and decisions on customers and other stakeholders.
- 5.12 These findings were consistent with wider themes of organisational policy and procedural complexity discussed further in the chapter on governance.

Accountability for outcomes has lacked transparency, particularly in relation to inaction or poor performance

- 5.13 Accountability for outcomes is driven through a combination of measures including consequence management, rewards and recognition and our remuneration framework. All of these have undergone significant development in recent years.
- 5.14 **Transparency of consequence management:** The remuneration of the CEO and disclosed executives is reported in our annual report, including information as to the quantum associated with performance against targets. We also publish statistical and thematic information about Code of Conduct breaches and whistleblowing claims. However, beyond this kind of disclosure the monitoring, recognition and reward of accountabilities (or a failure to fulfil accountabilities) has lacked transparency.
- 5.15 **Action on variable and deferred remuneration:** In the 2018 financial year the Board has acknowledged the significant community concern resulting from failures highlighted by the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the **Royal Commission**). The Board has taken strong action by materially reducing variable remuneration at all levels within the Bank. Furthermore, the variable remuneration outcomes for the CEO and current disclosed executives were materially reduced, averaging 53% of maximum opportunity, even though most are new to their roles and some are new to ANZ.
- 5.16 In addition, while the non-executive directors do not receive variable remuneration, those who served on the Board in 2018 agreed to a 20% reduction in their fees for FY2019.

- 5.17 As many of the issues examined by the Royal Commission spanned several years, the Board also exercised its discretion to apply downwards adjustment to the unvested deferred remuneration held by some previous members of the senior executive team.
- 5.18 Interviews highlighted that:
- (a) senior executives consider that performance discussions have increasingly come to focus on values and risk management with relatively less discussion on pure financial performance;
 - (b) consequence management is applied more frequently than is perhaps generally recognised; and
 - (c) requirements for confidentiality necessarily limit transparency.
- 5.19 **Consequence management across the Bank has not been consistent:** Overall we concluded from focus groups, interviews and executive survey responses that there was:
- (a) challenge regarding the consistency and rigour of consequence management in practice;
 - (b) a belief that poor performance can be hard for leaders to manage and is too often ignored;
 - (c) frustration at a lack of available information, or clear signals, on rewards and consequences; and
 - (d) a skew towards short-term outcomes (e.g. tactical fixes) rather than an appropriate balance of rewards and recognition for long-term solutions.
- 5.20 Focus groups found some front line staff feel that:
- (a) accountability for mistakes does not always cascade upwards (e.g. from the front line to district managers to head office);
 - (b) they often unfairly suffer the consequences of others' mistakes or poor performance; and
 - (c) financial performance is still a key measure of performance. Despite the stated organisational intent (the sincerity of which does not appear to be in doubt), there was a sentiment that revised performance measures may not yet have fully permeated our culture.

Accountability - summary table

- 5.21 A summary table which maps the key accountability themes identified above to the assessment domains is set out in Appendix 4.

Chapter 6 Governance

- 6.1 We tested governance against the following headline statement: Our governance framework provides a structure through which the strategy and risk appetite are set to enable responsible decision-making. This includes mechanisms to monitor and challenge activities, enable early identification of potential issues and ensure resources and funding are appropriately allocated.
- 6.2 Our review of governance considered an extensive range of documentation including both internal and external assessments of our infrastructure, risk management framework, technology capability and policies and processes.
- 6.3 The self-assessment focused on Board and executive oversight, the Risk Management Framework and oversight of funding and investment. Our assessment identified a number of key strengths. Our risk management framework is mature and well-documented. There is a strong relationship between the Board and senior executives, with evidence of robust, constructive challenge.
- 6.4 The self-assessment also highlighted the following key challenges.
- 6.5 Difficulty in working across businesses and enablement functions has been brought into sharper focus as we strive to be customer centred. Coupled with a largely divisional approach to investment and cultural bias for short-term solutions, this has resulted in highly tailored and tactically implemented policies, drawn-out processes and systems. While fit for purpose for traditional banking operations and management of established financial risks, these complexities have amplified under the current transformation activity. In addition, the sheer volume of in-flight initiatives, including those targeted at increasing our capability to manage non-financial risk, invoke a reliance on informal networks to get things done.
- 6.6 We are in an accelerated change environment which heightens the stress on existing mechanisms and associated governance practices. The need for speed in delivery and clarity concerning decision-making authority is at odds with the existing stable and enduring banking processes and activities.
- 6.7 The following thematic challenges are therefore relevant:
- (a) we have fragmented infrastructure, drawn-out processes and siloed teams;
 - (b) complexity delays swift action and increases reliance on informal networks;
 - (c) aspects of non-financial risk management lack maturity;
 - (d) we do not consistently complete change and remediation programs; and
 - (e) an accelerated change environment heightens the stress on existing systems and associated governance practices.
- 6.8 These themes, and the key findings and evidence that support them, are considered below.

There are fragmented infrastructures, drawn-out processes and siloed teams within ANZ

- 6.9 The way we organise our businesses, including geographical divisions, is considered to provide a partial explanation for the lack of clarity and consistency in our implementation of the three lines of defence model across the Group. This was articulated in an independently prepared Comprehensive Review of our risk management framework, by an external service-provider, as required under CPS 220 (the **Comprehensive Review**).
- 6.10 The three lines of defence model is particularly challenged at the intersection of our businesses and technology function, where it can be difficult to bridge the gap between

the two with each holding significant specialist expertise and whose priorities in relation to risk identification, ownership and management may be quite different. Further detail regarding the particular challenges that exist at the intersection between businesses and technology is set out below.

- 6.11 Within our Institutional division, a recent review of complaints processes across a sample of businesses and countries revealed that different and fragmented complaint handling procedures exist with no consistent reporting. There is no forum where aggregated divisional complaints, themes and trends are reviewed.
- 6.12 **Impact of NWOW:** The self-assessment highlighted divergent views regarding the impact of NWOW on governance and risk management. On the one hand, feedback from some staff within focus groups perceived that NWOW had assisted to increase communication across silos and simplify processes and paperwork. These focus groups described NWOW as assisting to drive better customer outcomes by breaking down larger projects into more manageable 'sprints'. On the other hand, some feedback expressed unease about a perceived blurring of roles and responsibilities as a result of NWOW.
- 6.13 Drawn-out processes and siloed teams impede end-to-end visibility and management of risk. Focus group feedback referred to the occasional mismatch between front-line customer operations in Australia and back-office hubs located offshore. For example, staff reported occasional inconsistency between approval or compliance requirements between the two – service performance agreements offshore stipulating different documentation requirements for approval of loans from guidelines held by the frontline team were highlighted as a specific example.

Intersection between businesses and technology

- 6.14 **Technology risk management affected by accountability and capability:** Technology was identified in interviews with Board members and senior executives as an important aspect of our capability that had been adversely affected by a lack of accountability. A number of technology-related issues have been the subject of qualifications in our CPS 220 attestations for successive years, including asset lifecycle management and information security. In addition, a report into our Technology Risk Management by an external service-provider concluded that a lack of technology risk capability and capacity across first and second lines of defence across divisions has contributed to inconsistent and inadequate management of technology risks.
- 6.15 **Example of payments outage:** The payments outage case study provides a particular example of the incidence and management of risks arising at the intersection between our businesses and technology. The incident exposed the fact that a relevant Business Continuity Plan had been designed without end-to-end visibility of the potential impact of an outage on multiple businesses and operations. Our initial internal communications about the incident did not include all relevant affected businesses and some internal stakeholders first learned of the outage through affected customers or other external parties. Steps have subsequently been taken to include Technology representatives in discussions with external stakeholders (such as the RBA) to assist a better understanding among those stakeholders as to required resolution steps and the likely timeframe for resolution.
- 6.16 **Example of Asset Lifecycle Management (ALM):** A review of papers for Board and management committee meetings relating to the challenge in remediating risks associated with issues such as ALM also highlights the accountability challenges that exist at the intersection between our businesses and technology. Technology-owned risks relating to items such as ALM are very broad and are driven by a number of causes, and our approach has been limited by our ability to identify particular critical business service hot spots. Interviews with senior executives attributed deficiencies in relation to ALM to a combination of inadequate management, funding, reporting, risk management and governance of ANZ managed assets, and to a lack of clear business ownership.

6.17 Accountability in relation to the treatments to be undertaken to address ALM issues currently sits with the ALM Committee, chaired by the Deputy CEO. Regular updates are provided to the Operational Risk Executive Committee (**OREC**), which include details of treatments including timelines. Our business leaders forum has agreed that investment spend on ALM will be ring-fenced and must not be re-allocated without the consent of the Investment Committee (through the Quarterly Investment Review) and the ALM Committee. One interviewee in the self-assessment reported that the allocation of funds specifically to ALM had assisted in providing the focus to progress this aspect of technology well over the past six months – that prioritisation and staging were helpful in breaking down large projects into smaller ones that could be better completed and monitored.

6.18 **Investment in technological capability and expertise:** We have recently introduced a number of positions to support the management of data, digital and technology risk in particular, and have also made significant investments in risk-related IT infrastructure. These roles include a Group Executive, Technology with a direct reporting line to the CEO, as well as a Chief Information Security Officer, Chief Data Officer (who, in addition to other aspects of data, has a team responsible for data governance) and a second line Head of Enterprise Technology Risk & Group Compliance Outsourcing who reports to the Chief Compliance Officer.

Complexity delays swift action and increases reliance on informal networks

6.19 Complexity was a recurring theme of the self-assessment. Some complexity is an unavoidable consequence of factors beyond our control, such as our regulatory environment. However, other factors such as cultural traits referred to in the chapter on culture above also contribute to complexity (e.g. our cultural preference for certainty and a discomfort with grey areas). These cultural anchors impede our objectives to be agile and simplify.

6.20 Overall we concluded that:

- (a) we have tended to respond to perceived gaps by issuing additional or overlapping policies and procedures;
- (b) despite our detailed policies and procedures, we rely on informal networks to get things done; and
- (c) underlying cultural traits contribute to complexity, which conflicts with our desire to simplify.

6.21 **Complex policies and procedures:** We have in place an extensive volume of policies and written procedures. In part this is a consequence of the fact that we operate in a highly regulated industry with high demands in relation to decision-making and record-keeping. However, there is a view that the volume and complexity of our regulatory framework documents is also a legacy of our siloed business operations and a conservative approach to risk. We have tended to respond to perceived gaps in our Risk Management Framework as risks evolve over time by issuing additional or overlapping policies and procedures, with the result that documentation is often dense and multi-layered.

6.22 Our Operational Risk Measurement and Management Framework (**ORMMF**) is considered to have been successful in raising awareness and understanding of non-financial risk, but has become increasingly complex and difficult for business units to understand and navigate. The Comprehensive Review assessed through a review of documentation and a significant range of interviews that we had a complex policy structure that was considered a hindrance to embedding risk management across the Group, and also resulted in risk resources allocating significant time to understanding and complying with risk policies.

- 6.23 **Reliance on informal networks:** Despite the extensive and detailed nature of our policy and procedures documentation, the focus groups and cases studies highlighted that informal networks are also relied upon for accessing assistance and information. While informal networks were generally regarded by staff as a positive thing – an example of collaboration – some of the discussions also highlighted concerns about the reliability and speed with which the right person could be identified and contacted. These concerns were heightened in an environment where our internal transformation involved the loss or re-deployment of experienced personnel. For example, while some staff considered that NWOW enhanced networks and connectivity as a valuable support to more fixed or permanent aspects of our risk management framework (e.g. policies and procedures), the ad hoc nature of informal networks was also seen to present challenges in the context of past and ongoing changes in staff and responsibilities.
- 6.24 The payments outage case study further demonstrates the complexity of the environment in which we operate and the different interests and priorities of multiple stakeholders. In addition to our internal communications issues, the challenge of communication with external stakeholders was compounded by a lack of clarity on the day between external stakeholders regarding roles and responsibilities. Our management of the incident relied heavily on informal networks when documented policies and procedures were perceived to be inadequate to manage the impact of the technical outage on customer and other stakeholder obligations.
- 6.25 **Focus on making things simple:** We have begun a process of simplifying our business at many levels. Over the past few years, we have divested a number of businesses and reduced the number of products we offer. We are also working to reduce complexity in our policies and procedures. However, a conservative approach to risk management often results in the addition of overlapping layers of protection to respond to specific incidents or contain specific issues, rather than a holistic reassessment of processes. For example, in relation to product assessments we may have four forms for four different products, each of which has a different assessment process with the potential to lead to inconsistent treatments. These traits impede our agility and the momentum to create a simpler bank.

Aspects of non-financial risk management lack maturity

- 6.26 We have well-established governance forums that consider non-financial risk management across the Group. However, further maturity is required to improve capture and analysis of thematic and emerging risk information.
- 6.27 Overall we concluded that:
- (a) we are better at managing financial risk than non-financial risk;
 - (b) identification and escalation of the right data to support insights has been more difficult in relation to non-financial than financial risk; and
 - (c) oversight of technology risk has been a weakness.
- 6.28 **Identification of financial risk stronger than non-financial:** Financial and non-financial risks are regularly discussed at the Board Risk Committee (**BRC**) and both of the key management committee forums (OREC and the Credit and Market Risk Committee (**CMRC**)) as well as divisional risk management committees. OREC assists the Board in discharging its duties on operational risk management by monitoring the state of operational risk measurement and management, and compliance management, on an enterprise basis. It also instigates any necessary corrective action. CMRC supports the Board in respect of its credit and market risk oversight including credit and market risk strategies, policies and processes and other matters beyond the approval discretion of executive management.
- 6.29 The executive survey recorded positive responses on the management of financial risk and non-financial risk (97% and 89% respectively). This finding was corroborated by the

Comprehensive Report which considered ANZ's financial risk management as adequate, appropriate and effective, while concluding non-financial risk management and that of emerging risks to be only partially adequate, appropriate and effective. Interviews with senior executives noted that there would be real opportunities to lift the Bank if we could get the operational risk framework working as it should, as it would drive better business management and leaders would better understand what their businesses were doing.

- 6.30 The ORMMF is recognised as having significantly lifted the understanding of operational risk across the Bank but requires further work to ensure it is applied consistently across the Group. Ultimately the framework seeks to ensure that risks are identified, assessed, measured, evaluated, treated, monitored and reported in a structured environment with appropriate governance oversight. However, as self-assessed, there is further work to achieve this consistently.
- 6.31 Internal Audit has highlighted this in a number of reports where it has assessed the application of the ORMMF as adverse with the audit status remaining adverse today. In particular the Internal Audit team has highlighted that a number of business units and Divisions still view aspects of the ORMMF as a process that is administration-intensive and adds minimal value.
- 6.32 Internal Audit has also highlighted the complexity of the framework and structural challenges as root causes. In particular, the structural challenges have resonated through this self-assessment where Internal Audit states that *"a division has emerged between the business and Assurance, blurring the responsibility of the 'first line of defence' and shifting accountability and ownership of ORMMF implementation from 'Risk Owners' to 'Assurance'. In addition, in some instances, multiple second line teams oversee a single business unit which has resulted in inconsistent advice and support being provided."*
- 6.33 We have identified the need for greater simplicity in our business as one of our strategic priorities and are working to review and simplify our policies – to 'manage the risk rather than managing the framework'. Amongst other things, feedback from our 'Tell Me About Risk' survey conducted this year highlighted that to be customer centred we need to question every process, policy and protocol and only implement the significant and necessary. A simpler, more flexible and data driven approach to risk management is summarised in the concept of 'I.A.M' – Identify, Act, Monitor.
- 6.34 **Issue identification and escalation of data to support insights:** Interviews with senior executives consistently recorded concerns both about the quality of data being presented (particularly automated data, which was reported sometimes to need a high degree of manual manipulation before being suitable for inclusion in management and Board reports). Data quality has been perceived to impair our capability to draw insights arising from customer data and to identify other emerging non-financial risks. To address data quality, a number of initiatives are in train including the creation of specialist teams, additional funding and an improved governance framework. We are piloting new risk information dashboards to management committee members with improved functionality including the provision of data in real time. We are investing in improved data analytics capabilities and endeavouring to build greater connectivity between data sets that might for historical reasons have been created and maintained separately e.g. compliance data relevant to different regulators. Progress updates on these data quality initiatives are reported to OREC on a quarterly basis.
- 6.35 The two case studies relating to the payments outage and unapplied funds demonstrate the challenges in identifying and escalating the right data to support insights relevant to non-financial risk.
- 6.36 The payments outage, and our response to it, were the subject of detailed review within the Bank and with external stakeholders. Technology business management, banking services and group services undertook a detailed analysis of the technical aspects of the outage. Post-incident reports and lessons learned focussing on these technical issues and their management by our Enterprise Operations Command Centre were shared with

external stakeholders including the RBA and the Australian Payments Network. From a different perspective, the focus of our Institutional division Risk Management Committee (**Institutional RMC**) included customer impact and management (including letters of apology to affected clients) and a review of the escalation process on the day (with specific attention on communication with relationship managers and Institutional banking executives).

- 6.37 The payment outage was the subject of specific communication to ExCo on the day of the incident and was included in four papers to OREC for its meeting on 8 August 2018. A brief summary was also included for noting in the papers of the Australia Division Risk Committee, and copies of an initial and later a final incident report were provided to the Board (14 June and 11 July). Most of these papers, including the two reports provided to the Board, focussed substantially on the technical aspects of the outage and incident management. Customer impact and internal communication issues (which included work to be done to establish better protocols and governance to ensure that the right people were on calls and receiving regular updates) were explicitly considered within the Institutional RMC and obliquely referred to within a Technology report to OREC (which noted that the 'incident has required us to review our internal business communications, business continuity and decision making trees to be more effective').
- 6.38 In summary, the information highlighted in reports to OREC and then to the Board focussed substantially on the technological aspects of the incident and its tactical resolution on the day. The information provided to the Board in particular offered little insight on direct customer impact or communication issues.
- 6.39 The unapplied funds case study is an example of the challenges in identifying and aggregating non-financial risk issues affecting different businesses and products. Positive balances in inactive or closed accounts appear to have been occurring for a significant period of time, although it is unclear when the issue first arose, and when it was first identified, for each product. The possibility that unintended credit balances might affect other businesses and products was not recognised. Although the central issue potentially affects a large number of customers, the relatively dispersed number of customer queries or complaints contributed to the low profile of the issue within our risk identification framework.
- 6.40 **Oversight of technology has been a weakness:** Oversight of technology capability and risk was identified in Board and executive interviews to have been a weakness. This assessment is not new: technology risk has been the subject of significant investigations within ANZ (including through APRA's 2017 IT Risk Prudential Review and follow-up work engaged by us from an external service-provider) and ongoing concern (as evidenced by the identification of technology-related issues including data quality and ALM as matters of note in CPS 220 attestations to APRA in successive years).
- 6.41 Only two of our non-executive directors are described as having experience in enterprises having a major technology focus and interviews suggested that effective oversight is challenging in relation to issues involving complex technical concepts and jargon. The Board has considered this and resolved not to appoint specialists as directors but to co-opt external expertise through the establishment of an external advisory panel that advises directors when meeting as the DBTC. The remit and agenda of the DBTC and the membership of the advisory panel continue to evolve.

We have not consistently completed change and remediation programs

- 6.42 Our existing governance framework is considered to work well to support financial risk management and business-as-usual activities. However, the same framework does not effectively support all change, including projects. Moreover, the current accelerated change environment heightens the stress on existing mechanisms and associated

governance practices. In addition, systemic customer issues have not consistently been remediated with sufficient urgency.

- 6.43 Overall we concluded that:
- (a) we do not consistently deliver change well; and
 - (b) we have been too slow to remediate customers.
- 6.44 **Challenges to deliver change outcomes:** One-third of respondents to the executive survey considered that project and change disciplines were well managed only sometimes or rarely. Board interviews acknowledged that many senior executives face significant challenges in their particular areas of responsibility. Interviews acknowledged the need to hold executives to account to deliver on the execution of high priority programs such as improved customer remediation and technology uplift.
- 6.45 Supporting this point are a number of matters of note, captured through the annual CPS 220 reports, that have remained open for a number of years such as issues concerning User Access Management and ALM.
- 6.46 The focus groups indicated a potential gap or mismatch often at the point of handover from an enablement function (typically technology) to the business, at which point ownership of risks arising from operation going forward but associated with project specifications or construction became unclear. Focus group feedback suggested that we often tend in such circumstances simply to 'muddle on', with no one being designated or assuming ownership of the responsibility to fix perceived shortcomings.
- 6.47 **Customer remediation:** Slow customer remediation was another area in respect of which the Board and senior executive interviews expressed regret regarding the Bank's performance. Remediation is now considered the 'no. 1' priority and significant funding has been allocated to it. The establishment of the Australia Division Remediation Framework and the Responsible Banking Tribe have assisted to clarify remediation roles and better resource remediation activities in some areas. There has been a significant level of interest among our executives about the remediation approach being taken by the Responsible Banking Tribe and the customer impact when we have systemic remediation issues, with a large number of visits from other teams to the Tribe. The application of dedicated people and other resources has improved remediation efficiency and additional resources are being added. The Australia Division Executive Remediation Governance Forum, of which ANZ's Customer Fairness Advisor is a member, provides oversight of the remediation programs being dealt with by the Responsible Banking Tribe. In 2016 we established a specialist Advice Review Team for Wealth, overseen by an accountable executive, for the purposes of managing remediation programs arising from our wealth business where preliminary analysis suggested that remediation was likely to be significant, complex or time-consuming. Since that time, the Advice Review Team has been significantly resourced.
- 6.48 ANZ staff interviewed as part of the unapplied funds case study were overwhelmingly positive about the creation of the Responsible Banking Tribe and our commitment to be accountable to our customers through timely and effective customer remediation. Many also spoke positively about the level of connectivity between the remediating and business teams, notably as to the sharing of lessons learned across multiple products and feeding into ongoing product review and re-design, although the experience was not universal.
- 6.49 Some interviewees identified the unapplied funds issue as an outlier at the 'easier' end of the remediation spectrum, in the sense that the data required to evaluate and remediate was relatively easily available compared with other issues where remediation efforts were slowed by the complexity or lack of data. We recognise the need to ensure continued focus and resources to address and remediate issues quickly as well as engaging more broadly to share learnings arising from specific incidents.

We are in an accelerated change environment, heightening the stress on existing mechanisms and associated governance practices

- 6.50 Our existing governance framework is considered to work well to support financial risk management and business-as-usual activities. However, the same framework does not effectively support all change, including projects. Moreover, we are in an accelerated change environment which heightens the stress on existing mechanisms and associated governance practices. This finding reflects a number of the findings referred to in the chapters above:
- (a) The volume of change impairs role clarity (e.g. as change activities are added and undertaken 'on the side of the desk' and in addition to business-as-usual activities). Although processes exist for the regular setting of team, division and Group objectives, the orderly and strategic management of these objectives is increasingly overtaken by events with the result that people's horizons become limited to the completion of urgent, short-term tasks. This includes a focus on tactical fixes.
 - (b) In a period of rapid change, it can be difficult to reflect and capture lessons learned while simultaneously managing business-as-usual activities. The payments outage case study demonstrates the challenges in ensuring a timely and comprehensive capture of lessons learned when the people close to events or issues simultaneously need to focus on completing actions to remediate the immediate consequences of the incident and carry on business as usual.
 - (c) Some focus groups expressed concern about the capacity of individuals or teams to simultaneously manage change and business-as-usual activities.
 - (d) Lack of capacity to fulfil existing accountabilities contributes to a reluctance to speak up about work practices in circumstances where the outcome may result in the speaker being asked to assume additional responsibilities.

Key findings supporting hypotheses

- 6.51 In addition to the themes discussed above, a number of key findings supported the hypotheses used to test the effectiveness and embedment of governance.

Board and Executive Relationship

- 6.52 Strength and collaboration was found throughout relationships within and between the Board and ExCo.
- 6.53 Senior executive interviews confirmed that the quality of interaction between Board and executives at Board and Board Committee meetings demonstrated robust and effective challenge. ExCo members report that they feel challenged by the Board to consider what is the right thing to do, not just to consider the financial impact e.g. declining to enter potentially lucrative transactions or to transact with particular parties or industries considered to be affected by adverse social or other issues.
- 6.54 Board members report that they have unfettered access to management as they see fit in order to discharge their oversight and the Chairs of Board Committees are routinely briefed by, and challenge, key senior executives prior to the relevant Committee meeting.
- 6.55 As between members of ExCo, most participants reported frank and constructive challenge and discussion. Interviewees embraced the design of ExCo as a forum to enable issues of broader relevance to be shared and explored between the management team.

Board Committees and management committees

- 6.56 This relationship between Board and executives is supported by an embedded committee structure that the Comprehensive Review concluded was mature and stable. Key material

risks align to specific committees, and there is consistent oversight across the Group for most risk types.

- 6.57 The purpose and operation of the Board and its Committees are well documented. Written charters set out the role, powers and responsibilities of each Committee. Their functionality and effectiveness are formally assessed on a regular basis, and their continuing evolution demonstrates our responsiveness to emerging risks and a changing environment. The routine attendance of all directors at Board Committee meetings is considered to assist connectivity and to be a point of differentiation compared with other financial institutions.
- 6.58 Several of our management committees have a specific risk focus. OREC and CMRC meetings are well attended with good representation across the ANZ Group, with a charter that is clear on items for oversight and escalation. OREC's agenda prioritises key issues and includes a concise table of action items from the previous meeting, together with a table of open items, both of which identify named individuals responsible for progressing those items.

The voice of risk

- 6.59 Our risk management framework is mature and well-documented. It is regularly reviewed both internally and externally with the Comprehensive Review concluding that the framework is appropriate, effective and adequate in accordance with the prudential standard.
- 6.60 A Benchmarking Report prepared as part of the Comprehensive Review highlighted that, overall, our financial risk identification was at the mid- to upper end of the industry, with areas such as market risk, liquidity risk and retail credit risk well established.
- 6.61 The 'voice of risk' is communicated to the whole Board directly and via its Committees. The flow of information relevant to the oversight of non-financial risk has increased in recent years, and includes presentation on topics such as financial crime and ANZ's culture assessments.
- 6.62 The BRC agenda includes both financial and non-financial risk management issues including information regarding breaches of risk appetite, regulatory and enforcement issues, and from time to time the BRC conducts 'deep dives' into particular issues. A focus on cultural issues (such as the results and trends identified in ANZ's MyVoice surveys) provides the Human Resources Committee with a different perspective on risk. The Board Audit Committee (**BAC**) audit and issue report tracks open items and identifies the relevant owner. In the case of repeated 3- or 4-level audit issues, senior executives are called to account to the BAC.

Governance - summary table

- 6.63 A summary table which maps the key governance themes identified above to the assessment domains is set out in Appendix 4.

Schedule 1

Glossary

For the purposes of this report:

'ALM' means Asset Lifecycle Management

'ANZ' means Australia and New Zealand Banking Group Limited

'APRA' means the Australian Prudential Regulation Authority

'ASIC' means the Australian Securities and Investments Commission

'assessment domains' means the series of headline statements and supporting hypotheses developed for the purposes of this self-assessment

'ATM' means automatic teller machines

'BAC' means the Board Audit Committee

'BEAR' means the Bank Executive Accountability Regime

'BRC' means the Board Risk Committee

'CBA' means the Commonwealth Bank of Australia

'CEO' means the ANZ Group Chief Executive Officer

'CMRC' means the Credit and Market Risk Committee

'Comprehensive Review' means the independently prepared Comprehensive Review of ANZ's risk management framework required under CPS220 dated 20 June 2017

'CPS 220' means APRA's Prudential Standard CPS 220 Risk Management

'CRO' means the ANZ Group Chief Risk Officer

'DBTC' means the Digital Business and Technology Committee

'EESGC' means the Ethics, Environment, Social and Governance Committee

'Employee Relations' means ANZ's employee relations team

'ERBC' means the Ethics and Responsible Business Committee

'ExCo' means the ANZ Group Executive Committee

'Institutional RMC' means the Institutional division Risk Management Committee

'Management' means ANZ's senior executives

'NWOL' means New Ways of Leading

'NWOW' means New Ways of Working

'OREC' means the Operational Risk Executive Committee

'ORMMF' means the Operational Risk Measurement and Management Framework

'Panel Report' means the Final Report of the Prudential Inquiry into the CBA dated 30 April 2018

'PwC' means PricewaterhouseCoopers

'RBA' means the Reserve Bank of Australia

'RFP' means Request for Proposal

'RMS' means Risk Management Strategy

'Royal Commission' means the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

Appendix 1

Self-assessment – approach and scope

- 1.1 By a letter dated 4 June 2018, APRA wrote to the chair of ANZ's Board requesting that ANZ conduct a self-assessment to gauge whether similar issues to those identified in the Panel Report might exist within ANZ.
- 1.2 We viewed this as an opportunity to further understand the root causes of past failings.
- 1.3 APRA's request was considered by the Board, which designated ANZ's Chief Risk Officer (**CRO**) to oversee the design, resourcing and implementation of ANZ's response. ANZ undertook a robust Request for Proposal (**RFP**) process to identify an external professional services provider to assist with the design of an appropriate self-assessment framework and to provide third party challenge and insight in its implementation. Five global firms participated in the RFP, following which ANZ engaged PwC as the preferred provider. PwC were appointed because of the rigour of their hypothesis-based methodology and its data driven approach to driving conclusions.
- 1.4 We established a program of work to undertake the self-assessment activity within the timeframe (see figure 1). The program established a Steering Committee to provide governance concerning the strategic direction and approach of the assessment. The Steering Committee was chaired by ANZ's Chief Compliance Officer as delegate for the CRO. The Steering Committee included members from the Institutional and Australia divisions, Risk, Internal Audit, Legal and Talent & Culture. An Oversight Group made up of key stakeholders was established to provide daily operational direction, assistance and oversight to the program. The Oversight Group appointed the domain leads who undertook the key assessment activity for each domain.
- 1.5 The CRO provided regular updates to the CEO and Board, who provided input and direction. Key Board members were also involved in discussions with the domain leads on the emerging themes and findings.

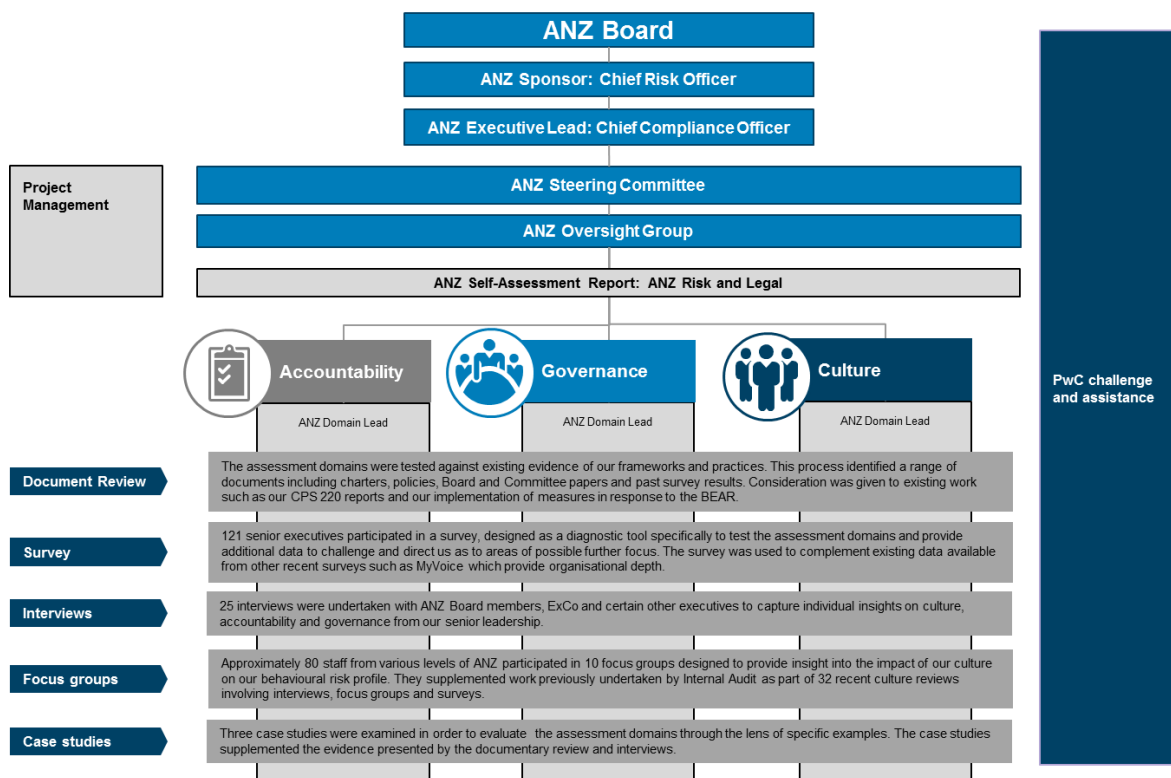


Figure 1 Program structure and governance

Development of assessment domains

- 1.6 For the purposes of the self-assessment, we developed a series of headline statements and supporting hypotheses (**assessment domains**) against which to examine the embedment and effectiveness of governance, accountability and culture across the ANZ Group. The assessment domains were developed through a series of workshops facilitated by PwC who also provided structure and challenge to the process as well as the methodology. The workshops were attended by senior representatives drawn from a range of our business divisions and functions, and were designed to give specific focus to the issues and recommendations arising from the Panel Report.
- 1.7 The assessment domains were further developed and refined through a process of discussion and challenge following the workshops. The final headline statements and hypotheses adopted for the purposes of the self-assessment are set out in Figure 2 below. The hypotheses are grouped into the domains of culture, accountability and governance to enable those domains to be fully explored for evidence and to enable themes to emerge. We recognise that there is overlap and interdependence between the three domains and this is evident in the examples, findings and insights set out in the report.



Accountability

We are answerable for the outcomes of our actions, inaction and decisions.

A1	We understand our roles and responsibilities and boundaries of our discretions. We know what needs to be done, who needs to do it and why, including when and how to escalate, investigate, delegate or act ourselves.
A2	We are all committed to behaving in the right way and speaking up when something is wrong.
A3	We have the skills, information, tools and resources we need to fulfil our accountabilities, and are empowered to escalate and resolve.
A4	We have mechanisms for monitoring the fulfilment of accountabilities.
A5	We recognise and reward people for doing the right thing in ways that are fair, understandable, transparent and consistently applied and this support the right outcomes and behaviours.



Governance

Our governance framework provides a structure through which the strategy and risk appetite are set to enable responsible decision-making. This includes mechanisms to monitor and challenge activities, enable early identification of potential issues and ensure resources and funding are appropriately allocated.

G1	Our Board and its operation is structured to understand the impact our business has on customers, our people and other stakeholders, and holds management to account through constructive debate & challenge.
G2	Our Board and Management direct the required skills, time and resources to identify, act upon and monitor current and emerging risks and issues.
G3	Our key governance and decision-making bodies use effective and efficient information flow and connectivity, to consider the suite of financial and non-financial risk, including projects and change disciplines.
G4	We make significant business decisions within the appropriate governance frameworks, balancing customer and other stakeholder expectations.
G5	ExCo collectively make enterprise decisions to deliver our Purpose and strategy.
G6	We have implemented the 3LOD across ANZ, with business ownership and necessary independence of both 2nd and 3rd line which are adequately and appropriately funded and resourced.
G7	We have policies, processes and systems that are simple to understand and implemented to manage financial and non-financial risk end-to-end.
G8	We analyse and use critical, relevant and quality data to inform decision-making across our business.
G9	We identify and escalate issues in a timely manner and remediate with sufficient resourcing, funding and oversight.
G10	We proactively allocate funding to reflect learnings and continually improve how our business manages risk and responds to the voice of the customer.



Culture

Our culture and values are critical to delivering on our strategy and purpose. It evolves and shapes our actions so that we can deliver what we expect of ourselves and what others expect of us.

C1	Senior leaders set the tone to deliver our aspirational culture.
C2	We understand and take action to move us towards our aspirational culture.
C3	We communicate and collaborate across our value chain.
C4	We have an environment where our people feel safe to act in line with our aspirational culture, including speak up.
C5	We understand and use motivators to drive the right behaviours.
C6	We are alert to and adapt to meet our stakeholder expectations.
C7	Our customers trust us to do the right thing.

Figure 2 Headline statements and hypotheses

Testing of headline statements and hypotheses

- 1.8 The headline statements and hypotheses were examined through a range of activities designed to provide depth and breadth of challenge.

Documentary review

- 1.9 The assessment domains were tested against existing evidence of our frameworks and practices. This process identified a range of documents including charters, policies and past survey results considered to be relevant to the self-assessment and enabled consideration to be given to significant existing or ongoing work such as our annual CPS 220 process, APRA's 2017 IT Risk Review, our implementation of measures in response to the BEAR and our extensive Internal Audit Culture Assessments.

Survey

- 1.10 All Group 1 executives were asked by the CEO to participate in a survey, designed as a diagnostic tool specifically to test the headline statements and hypotheses. The survey results provided additional data that was used to identify areas of further focus in interviews and focus groups. This group was chosen due to their broad insight across ANZ. The survey was then used to complement existing data sets available from other recent surveys such as MyVoice which provided organisational depth.

Focus groups

- 1.11 A number of focus groups were convened, with participants drawn from across various levels of our businesses and functions including customer facing and operational areas. The focus groups were designed to provide insight into the impact of our culture on our behavioural risk profile. In order to provide fresh insight, the focus groups identified for the purposes of the self-assessment were targeted to focus on groups not already

covered by the 32 culture reviews undertaken as part of our Internal Audit culture assessments.

Interviews

- 1.12 Our Board and senior executives were interviewed to capture individual insights on culture, accountability and governance from our senior leadership.

Case studies

- 1.13 Three case studies were undertaken in order to evaluate culture, accountability and governance through the lens of specific examples. The criteria by which the case studies were selected are set out in Appendix 3. The case studies supplement the evidence presented by the documentary review and interviews.
- 1.14 The evidence produced by the activities referred to was mapped to the headline statements and hypotheses. Key aspects of that evidence, and the themes arising, are discussed in the chapters above.

Objectives and scope of self-assessment

- 1.15 Consistently with the Panel Report and APRA's request, we have taken the following considerations into account in determining the scope of the self-assessment.
- 1.16 The self-assessment has focussed on our operations within Australia.
- 1.17 In order to provide relevant and constructive insight, the self-assessment has focussed on frameworks and practices that remain current to existing operations. The self-assessment has not extended to businesses that had been classified as discontinued or divested as at the date of the assessment.
- 1.18 The Panel Report identified a number of shortcomings particularly in relation to the management of non-financial risks, which the Panel identified as comprising operational, compliance and conduct risk.³ Many of the findings and insights arising from our self-assessment similarly focus on these three risk areas, while noting that they comprise only a subset of the subject matter of our risk management focus.
- 1.19 It is a matter of public record that the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the **Royal Commission**) is currently inquiring whether, amongst other things, any conduct, practices or behaviour by financial services entities has fallen below community standards and expectations.⁴ Amongst other things, the Royal Commission is expected to determine whether any failings it identifies are attributable to issues of culture, governance or other practices (including remuneration) or internal systems, and to make recommendations as to future practice or reform.⁵ We have addressed the issues that are the subject matter of the Royal Commission's inquiry within the context of the Royal Commission and have not sought to repeat those matters within the scope of the self-assessment. In similar vein, the self-assessment has not sought to make determinations regarding matters that are currently the subject of legal proceedings, other regulatory reviews or investigations by regulators other than APRA.

³ Panel Report, p7.

⁴ Royal Commission, Letters Patent dated 14 December 2017, paragraph (b).

⁵ Royal Commission, Letters Patent, paragraphs (d), (f) and (h).

Factual background and context

Culture – background and context

ANZ's Strategy, Purpose and Values

- 1.1 In 2016, we began a process of reshaping its strategic focus to create a simpler, better capitalised and more balanced bank producing better outcomes for customers, shareholders and the community. The ANZ Way is critical to this transformation and seeks to bring together the Bank's Purpose, strategy, culture and values. To enable the ANZ Way, New Ways of Working and New Ways of Leading have been developed.

ANZ's Purpose

- 1.2 Our Purpose is to shape a world where people and communities thrive. That is why we strive to create a balanced, sustainable society in which everyone can take part and build a better life.

ANZ's strategy

- 1.3 The five pillars of our strategy are:
- (a) Create the best bank for home owners and small business customers in Australia and New Zealand;
 - (b) Build the best bank in the world for clients that move goods and capital across the region;
 - (c) Establish common, flexible, digital-ready infrastructure to provide greater customer experience, agility, scale and control;
 - (d) Develop the capabilities and culture we need to deliver our Purpose and Strategy; and
 - (e) Demonstrate discipline in our resource allocation.

ANZ's Culture and Values

- 1.4 Our Values are:

Integrity - we are honest and fair

Collaboration - we work together for the customer

Accountability - we take ownership and get things done

Respect - we care for all those we serve

Excellence - we challenge ourselves to be better

- 1.5 Our Code of Conduct describes how we work at ANZ. It sets the expected standards of professional behaviour linked to our Values. Our Code helps each of us make fair, balanced and ethical decisions in our day to day work.
- 1.6 For employees, it is important to understand our Code in letter and spirit. We apply it to ourselves and those who work alongside us (contractors or consultants). All employees and contractors are required to complete training on how to live the Code.
- 1.7 The Code of Conduct enunciates seven guiding principles:

We are ethical and professional

We act with integrity

We treat all people with dignity and respect

We manage conflicts of interest

We protect privacy and confidentiality

We comply with our Code, the law and ANZ policies and procedures

We call out unacceptable behaviour and stand up for what is right.

- 1.8 The Code of Conduct makes it clear that breaches will result in action being taken, which can include formal warnings or termination of employment. An overview of breaches investigated during 2017, and outcomes including terminations and warnings, is reported in our 2017 Corporate Sustainability Review.
- 1.9 In addition to the Purpose, Values and the Code of Conduct which are at the heart of our aspirational culture, we focus on three 'winning behaviours' to support staff in growing and adapting for their customers. The three behaviours are - being customer centred; always learning; and focusing on making things simple.

New Ways of Leading

- 1.10 We are taking steps to encourage its leaders to adopt our New Ways of Leading (**NWOL**) that are aligned with our Purpose and Values. NWOL are five behaviours which are relevant for everyone in ANZ but imperative for all those leading people everywhere and at every level. The NWOL are:

Be curious

Create shared clarity

Empower people

Connect with empathy

Grow people selflessly

New Ways of Working

- 1.11 Our objective is to drive faster and better outcomes for its customers. 'New Ways of Working' (**NWOW**) describes an agile approach to working, focussed on creating teams that combine different bank functions to address shared customer objectives. The intent of NWOW is that what were formerly product-centred functions (such as home loans) are re-organised into more customer centred portfolios (such as customer engagement, customer operations). NWOW also aims to drive a new way of working by creating smaller 'squads' of business and technology staff focussed on more precise customer-focussed 'missions'.

Culture assessments

- 1.12 Since 2016, our Internal Audit function has undertaken a series of cultural assessments designed to assist business leaders in understanding the culture within their business, including how the culture impacts the way the Bank supports customers and where culture could expose the Bank to reputation and regulatory risk. The approach requires the development of action plans that address cultural challenges identified with ongoing monitoring to assess the delivery and effectiveness of those actions. Findings are determined through quantitative data, primarily through an employee survey, as well as qualitative data through direct engagement with staff. The approach has been validated internally through the use of external consultants and presented to and discussed with APRA on a number of occasions.
- 1.13 Internal Audit has provided two updates to the Board regarding the culture assessment work, in September 2017 and most recently July 2018. The insights from the Internal Audit culture assessment program have been a critical input to the findings from this self-assessment.

Accountability – background and context

Board performance evaluations

- 1.14 We conduct annual performance evaluations of the Board, the Chairman of the Board, each non-executive director, and each Board Committee. Details of these evaluations are set out in our Board Renewal and Performance Evaluation Process on our website at anz.com/corporate-governance.

Executive and other staff performance evaluation

- 1.15 Risk management is a key element in how we measure and assess performance at a Group, division and individual level. Remuneration includes a variable component in relation to which the size of the overall pool is determined taking into account economic profit performance (a risk adjusted financial measure) and ANZ's performance against the Group performance categories: Risk, Financial and Discipline, Customer, and People and Reputation. Details regarding executive remuneration (including outcomes in each financial year) are set out each year in our annual report.

Clawback of deferred remuneration

- 1.16 There is a Consequence Review Group (chaired by the CEO) which supports our Board in reviewing significant risk and compliance issues and considering the consequences of these for those involved.
- 1.17 We introduced a discretion to adjust deferred remuneration downwards (sometimes referred to as 'malus') in 2009, in line with APRA's Prudential Standards on

Remuneration. ANZ can adjust performance-related components of remuneration downwards (including to zero) where the Board considers that such an adjustment is appropriate or necessary, including for reasons relating to an employee's conduct or behaviour that may have only recently come to light.

Sedgwick Review

- 1.18 The Sedgwick Report (2017) proposed that each retail bank review its approach to tasking and managing the performance of staff, including the structure of variable rewards and incentives, and progressively align with a series of recommendations set out in the report. Implementation of the recommendations was intended to have the result, amongst other things, that over time –
- (a) incentives would no longer be paid to retail staff based directly or solely on sales performance; and
 - (b) eligibility to receive variable rewards and incentive payments should have regard to an assessment of performance across a range of measures.⁶
- 1.19 We have made some progress in implementing the recommendations set out in the Sedgwick Report and, subject to any required regulatory approval, will implement all recommendations by the FY2020 deadline proposed in the Sedgwick Report in relation to our employees. Management reports to the HRC on its progress in implementing the Sedgwick recommendations.

Branch and call centre remuneration

- 1.20 In recent years, we have changed the structure of our branch and call centre remuneration to a new 'scorecard' that emphasises good customer outcomes. The weighting for financial performance has been reduced to less than 33%, and an adverse score on the 'Values' component of the assessment can have a significant impact on the discretionary element of a person's remuneration. We have sought to improve consistency by involving managers in 'calibration' sessions designed to share views and experiences and thereby moderate a more consistent outcome. We are looking to extend this structure to other parts of the bank.
- 1.21 In addition, we have changed the focus of our branch network's half-yearly 'Team Recognition Program' from the outcomes of financial objectives to the outcomes of customer objectives.

Whistleblower Policy

- 1.22 Our Whistleblower Policy enables all employees, contractors and external auditors to raise concerns regarding actual or suspected breaches of our legal or ethical standards. The policy provides a number of avenues for disclosure including internally through a Whistleblower Investigations Officer and externally via confidential phone, email and web-based mechanisms operated by a third party.
- 1.23 Whistleblower Protection Officers are responsible for investigating reports or complaints lodged and determining whether there is evidence to support or refute them. Matters requiring further investigation can be escalated, and if the whistleblower has concerns about the resolution of the matter, it can be escalated to the Chief Compliance Officer.
- 1.24 Following improvements to the policy in 2016, we ran an awareness campaign in 2017 which saw an increase in the number of disclosures (121, up from 71 in 2016). The

⁶ Sedgwick Report, p 7.

majority of complaints did not uncover significant breaches. However, in cases where breaches were confirmed we took remedial action up to and including employee dismissal.

Customer Fairness Advisor and Remediation Principles

- 1.25 In December 2016, we appointed the former Australian Commonwealth Ombudsman Colin Neave AM to the role of Customer Fairness Advisor reporting directly to the CEO. This was a new role to help improve fairness of our products and services for retail, small business and wealth customers in Australia.
- 1.26 Amongst other things, the Customer Fairness Advisor has developed Remediation Principles to guide the timely acknowledgement and remediation in relation to failures affecting our customers. The Remediation Principles commit us to:

listen
apologise
compensate
commit resources to fix the problem
explain ANZ's approach clearly
act speedily
learn from mistakes when they are made.

BEAR

- 1.27 In February 2018, Australia introduced the BEAR to establish clear and heightened expectations of accountability and to ensure there are clear consequences in the event of a material failure to meet those expectations.
- 1.28 Implementation of the accountability regime presents an opportunity to genuinely strengthen accountability and drive improvement in the way we govern ourselves.
- 1.29 We embraced the spirit of and focus created by BEAR as an opportunity to continue to evolve our culture in line with customer, community and regulator expectations. In light of this, our approach to BEAR involved consultation with the industry to derive principles that focused on establishing clear and strong accountability including:
- (a) identifying and registering accountable persons;
 - (b) creating and submitting an accountability statement for each accountable person, and an accountability map for ANZ; and
 - (c) updating our remuneration policy to require that a portion of accountable persons' variable remuneration be deferred for a minimum of four years, and reduced commensurate with any failure to meet their obligations (from 1 January 2019).

- 1.30 To do this effectively, our Board and ExCo engaged strongly in the process to understand and refine accountabilities and responsibilities, including identification of areas requiring further clarification which were subject to scenario workshops. These scenario workshops tested our confidence in the accountabilities prior to submission of our accountability statements and map.
- 1.31 BEAR Health Checks were undertaken across ANZ to assess readiness for the regime and to identify areas that may requires some uplift. We also rolled out an educative behavioural campaign to ensure staff understood BEAR and the behaviours expected of not only senior executives but everyone at ANZ.
- 1.32 Our accountability map and statements are published on our intranet and are accordingly visible to all staff.

Remediation Framework

- 1.33 Prior to 2017, accountability for customer remediation generally sat with the sponsoring business executive with support from a dedicated project team. In July 2016, we established a specialist Advice Review Team for Wealth, overseen by an accountable executive, for the purpose of managing remediation programs arising from ANZ's Wealth business where preliminary analysis suggested that remediation was likely to be significant, complex or time-consuming. Similarly in 2016, a project specialisation in remediation was established in Australia Division. In the course of 2016, the Wealth division developed a Remediation Framework, including an Advice Remediation Standards and Procedures Manual. The Wealth Remediation Framework was developed in consultation with ASIC and having regard to its regulatory guide 256 Client review and remediation conducted by advice licensees (September 2016), and with assurance support from an independent expert. The Wealth Remediation Framework includes a Remediation Governance Forum which is responsible for overseeing the processes undertaken by the Advice Review Team and other activities. The Wealth Remediation Framework is subject to regular internal and external review.

Responsible Banking Tribe

- 1.34 In August 2017, the Australia Division Executive Remediation Governance Forum was formed to provide oversight for customer remediation across the Australia division (with particular focus on large scale customer remediation projects), and included the Customer Fairness Advisor and representatives from our business, legal, compliance and finance function. The Remediation Principles launched by us in 2017 formed the basis for the Australia Division Remediation Framework which was launched in January 2018 and is used to guide customer remediation within that business.
- 1.35 In April 2018, as part of our move to NWOW, a new Responsible Banking Tribe was formed, comprising 11 squads and 130 people from a range of backgrounds and disciplines and dedicated to customer remediation efforts. As at October 2018, that has now increased to 14 squads and over 150 people:
 - (a) eleven squads are working on current customer remediation projects;
 - (b) one squad is deployed as an interface between the various business tribes with the intent that, as and when new customer issues arise, this squad is able to assist with investigation and ensure the smooth transition of any remediation into the Responsible Banking Tribe; and
 - (c) two squads are focused on building the tools required to increase the pace of remediation - in particular, obtaining and processing historical data.

- 1.36 Historically, we have tended to take a very sequential approach to customer remediation: in particular, it was our practice to wait until all data required for the remediation of all customers was available before making payments to any customer. We currently target paying cohorts of customers earlier, to speed up the time to get the first refund payments to customers.

Governance

ANZ Board and Board Committees

- 1.37 The ANZ Board comprises eight non-executive, independent directors (including an independent chair, David Gonski AC) and one executive director (the CEO, Shayne Elliott).
- 1.38 Our Board normally meets at least eight times a year, including a meeting to review in detail the Group's strategy. Executive and senior management regularly attend when an issue under their area of responsibility is being considered or otherwise as requested by the Board. We conduct annual performance evaluations of the Board, the Chairman of the Board and each non-executive director. The performance of our Board committees is also reviewed annually with outcomes and identified improvements actioned where required.
- 1.39 There are currently five standing Committees of the ANZ Board:
- (a) Audit Committee;
 - (b) Risk Committee;
 - (c) Ethics, Environment, Social and Governance Committee;
 - (d) Human Resources Committee; and
 - (e) Digital Business and Technology Committee.
- 1.40 These assist the Board in carrying out its responsibilities and duties and aim to seek fair customer outcomes and financial market integrity in deliberations.
- 1.41 In practice, all ANZ Board members receive papers for all Board Committees and attend all Committee meetings either as a voting member (of those Committees to which they are appointed) or as an observer (in relation to those Committees of which they are not members).

Senior executives

- 1.42 ANZ's most senior executives (including the CEO) meet regularly as the Group Executive Committee (**ExCo**). ExCo consists of the executives who lead ANZ's business divisions and enablement functions across the Group.
- 1.43 There are also a number of management committees established to deal with our key material risks. Membership of these committees includes a number of ExCo members and other senior executives from our business divisions and Group functions.
- 1.44 These include:
- (a) Operational Risk Executive Committee;
 - (b) Ethics and Responsible Business Committee;
 - (c) Credit and Market Risk Committee;

- (d) Group Asset and Liability Committee; and
- (e) Divisional Risk Management Committees.

Risk management framework

- 1.45 Our Risk Management Strategy (**RMS**) is a document that describes the approach for managing risks arising from our Purpose and Strategy and the key elements of the Risk Management Framework developed and maintained by our Risk function. The RMS is approved by our Board.
- 1.46 The material risks addressed in the Risk Management Framework comprise both financial and non-financial risks, including operational risk. 'Operational risk' is a broad term which refers to the risk of loss from inadequate or failed internal processes, people or systems or from external events, and encompasses many types of risk. The ORMMF identifies compliance risk, reputation risk and (from 1 October 2018) technology risk as separate key material risks under its Operational Risk profile.
- 1.47 Our Group's Risk Appetite Statement conveys, for each material risk, the maximum level of risk that we are willing to accept in pursuit of our strategic objectives and plans, considering the best interest of our shareholders, depositors and customers.
- 1.48 The Group operates a three-lines-of-defence model to manage risk, with each line of defence having defined roles, responsibilities and escalation paths to support effective two-way communication and risk management.
- 1.49 ANZ Group risk frameworks and policies are adopted across all geographies in which we operate, but align as necessary to accommodate the local regulatory, business and customer environment.

Funding and investment

- 1.50 The CEO is the owner of our Strategy and is responsible for delivering our strategic objectives. The CEO leads ExCo prioritisation that informs investment decisions.
- 1.51 Our Investment Committee is the responsible body governing investment allocation across the Group. The release of funding is authorised by the Investment Committee through a Quarterly Investment Review. We have developed an investment allocation and governance operating framework, the purpose of which is to define different types of investments and their associated governance principles. The framework is designed to support both large scale and small scale investments and outlines a unique governance framework for designated investment levels e.g. divisional and bank wide.
- 1.52 Of our total investment in change projects each year, approximately two-thirds of that cost relates to technology delivery (resource and the technology itself). We recognise, in addition to running costs, successful initiatives may require future investment to build out components or features (e.g. to respond to demand to extend our successful Apple pay to other devices). Funding allocated for Risk and Compliance and asset lifecycle management related projects can only be used for that purpose.

Regulators and other stakeholders

- 1.53 Our business is affected by its relationships with many stakeholders. Within Australia, those stakeholders include:
 - (a) Our customers including depositors, borrowers and purchasers of various financial products and services;

- (b) the Australian public and the communities within which we operate, including its suppliers;
- (c) regulators and other government agencies such as APRA, ASIC, AUSTRAC, the Reserve Bank of Australia, the Financial Ombudsman Service, Australian Financial Complaints Authority and the Australian Competition and Consumer Commission;
- (d) the Australian Securities Exchange and its associated platforms/services such as Austraclear, and the holders of ANZ securities including shares, notes and bonds; and
- (e) approximately 40,000 employees.

1.54 These relationships are maintained and conducted through a variety of channels. The complexity of these relationships is explored through the case studies undertaken as part of the self-assessment.

Appendix 3

Case studies

- 1.1 Three case studies were undertaken for the purposes of the self-assessment. The case studies were selected by reference to the following criteria.
- 1.2 Relevance
 - (a) Do the case studies demonstrate our management of material risks relevant to its current operations?
 - (b) Do the case studies assist in testing the strength of the voice of risk and the voice of the customer?
- 1.3 Depth/Coverage
 - (a) Do the case studies provide sufficient coverage across our Australian operations?
 - (b) Do the case studies assist the Board to form a view as to whether the 'tone from the top' permeates through and across the group?
 - (c) Do the case studies provide sufficient coverage to test hypotheses relating to each of governance, culture and accountability?
- 1.4 Challenge/objectivity
 - (a) Can we expect to find sufficient structured or objective data to challenge or support the hypotheses and support clear findings or recommendations?
- 1.5 Fresh insight
 - (a) Do the case studies involve matters that are not already the subject of assessment or determination in another forum – e.g. legal proceedings, review or investigation by a regulator other than APRA?
- 1.6 Privacy/confidentiality
 - (a) Can the case studies be undertaken in compliance with the Bank's obligations of confidentiality, including in relation to individual customer information?
- 1.7 Execution/practicability
 - (a) How many case studies can realistically be completed within the timeframe?
 - (b) Are there any circumstances that would affect our ability to complete the case studies effectively within the timeframe?

Appendix 4

Summary tables of findings

The summary tables below map each hypothesis to the key themes and insights identified in the report. We have classified each insight as a '*Finding*' when it does not fully support the hypothesis or '*Support*' when it supports the hypothesis.

Culture

Hypothesis	Insight	Finding / Support	Theme Identified
C1 - Senior leaders set the tone to deliver our aspirational culture	What it means to be 'customer centred' is still evolving	Finding	What it means to be customer centred lacks clarity and structure
	Prominence of customer within our Purpose and Strategy	Support	What it means to be customer centred lacks clarity and structure
	A deep-seated respect for loyalty exists in many areas of the Bank	Finding	Our compliant culture, with a strong loyalty to teams, heavily influences our behaviour
	ANZ's Code of Conduct	Support	Our compliant culture, with a strong loyalty to teams, heavily influences our behaviour
	Governance: Focus on making things simple	Finding	Refer to relevant section
C2 - We understand and take action to move us towards our aspirational culture	A deep-seated respect for loyalty exists in many areas of the Bank	Finding	Our compliant culture, with a strong loyalty to teams, heavily influences our behaviour
	People do not have the capability and capacity to stop, reflect and simplify our work based learnings	Finding	Short-term tactical fixes have frequently been put in place at the expense of long-term strategic solutions
	There is an emphasis on creating more activity rather than understanding the root cause, specifically when things have gone wrong	Finding	Short-term tactical fixes have frequently been put in place at the expense of long-term strategic solutions
	What it means to be customer centred is still evolving	Finding	What it means to be customer centred lacks clarity and structure

Hypothesis	Insight	Finding / Support	Theme Identified
	Accountability: Below senior executive level, accountabilities are less clear due to incomplete documentation, organisational complexity and the volume of change Governance: Challenges to deliver change outcomes Impact of NWOW In a period of rapid change, it can be difficult to capture and reflect lessons learned while simultaneously managing business-as-usual activities	Finding Finding Finding	Refer to relevant sections We are in an accelerated change environment, heightening the stress on existing mechanisms and associated governance processes
C3 - We communicate and collaborate across the value chain	Focus on individual goals and performance indicators	Finding	Our compliant culture, with a strong loyalty to teams, heavily influences our behaviour
	Disconnect between customer and non-customer facing groups	Finding	What it means to be customer centred lacks clarity and structure
	Accountability: Below senior executive level, accountabilities are less clear due to incomplete documentation, organisational complexity and the volume of change Governance: Volume of change impairs role clarity	Finding Finding	Refer to relevant sections
C4 - We have an environment where our people feel safe to act in line with our aspirational culture, including speak up	Reluctance to 'speak up'	Finding	Our compliant culture, with a strong loyalty to teams, heavily influences our behaviour
	A compliant culture	Finding	Our compliant culture, with a strong loyalty to teams, heavily influences our behaviour
	Governance: Lack of capacity to fulfil existing accountabilities contributes to a reluctance to speak up about work practices in circumstances where the outcome may result in the speaker being asked to assume additional responsibilities	Finding	We are in an accelerated change environment, heightening the stress on existing mechanisms and associated governance processes

Hypothesis	Insight	Finding / Support	Theme Identified
C5 - We understand and use motivators to drive the right behaviours	Prominence of customer within our Purpose and Strategy	Support	What it means to be customer centred lacks clarity and structure
	Focus on individual goals and performance indicators	Finding	Our compliant culture, with a strong loyalty to teams, heavily influences our behaviour
	Accountability: Transparency of consequence management Consequence management across the Bank has not been consistent	Finding Finding	Refer to relevant sections
	Action on variable and deferred remuneration	Support	
C6 - We are alert to and adapt to meet our stakeholder expectations	What it means to be 'customer centred' is still evolving	Finding	What it means to be customer centred lacks clarity and structure
	Disconnect between customer and non-customer facing groups	Finding	What it means to be customer centred lacks clarity and structure
	Governance: Identification of financial risk stronger than non-financial.	Finding	Refer relevant section
	The voice of risk Issue identification and escalation of non-financial risk	Support Finding	
	Prominence of customer within our Purpose and Strategy	Support	What it means to be customer centred lacks clarity and structure
C7 - Our customers trust us to do the right thing	What it means to be customer centred is still evolving	Finding	What it means to be customer centred lacks clarity and structure
	Prominence of customer within our Purpose and Strategy	Support	What it means to be customer centred lacks clarity and structure
	Focus on individual goals and performance indicators	Finding	Our compliant culture, with a strong loyalty to teams, heavily influences our behaviour
	Disconnect between customer and non-customer facing groups	Finding	What it means to be customer centred lacks clarity and structure
	Governance: Identification of financial risk stronger than non-financial Customer remediation Voice of risk	Finding Finding Support	Refer relevant section

Accountability

Hypothesis	Insight	Finding / Support	Theme Identified
A1 - We understand our roles and responsibilities and boundaries of our discretions: we know what needs to be done, who needs to do it and why, including when and how to escalate, investigate, delegate or act ourselves	Board, ExCo and senior executive accountabilities are well documented and more clearly understood	Support	What we are accountable for too often lacks clarity below senior executives
	Below senior executives, accountabilities are less clear due to incomplete documentation, organisational complexity and the volume of change	Finding	What we are accountable for too often lacks clarity below senior executives
	Governance: Volume of change impairs role clarity	Finding	Refer to relevant section
A2 - We are all committed to behaving in the right way and speaking up when something is wrong	Culture: A compliant culture There is an emphasis on creating more activity rather than understanding the root cause, specifically when things have gone wrong What it means to be 'customer centred' is still evolving	Finding Finding	Refer to relevant sections We are in an accelerated change environment, heightening the stress on existing mechanisms and associated governance processes
	Reticence to 'speak up'	Finding	
	Governance: Lack of capacity to fulfil existing accountabilities contributes to a reluctance to speak up about work practices in circumstances where the outcome may result in the speaker being asked to assume additional responsibilities	Finding	
A3 - We have the skills, information, tools and resources we need to fulfil our accountabilities, and are empowered to escalate and resolve	Governance: Investment in technological capability and expertise Customer remediation Board and Executive Relationship The voice of risk Identification of financial risk stronger than non-financial Issue identification and escalation of data to support insights	Support Finding Support Support Finding	Refer to relevant sections
	Culture: People do not have the capability and capacity to stop, reflect and simplify our work based on learnings There is an emphasis on creating more activity rather than understanding the root cause, specifically when things have gone wrong	Finding Finding	
A4 – We have mechanisms for monitoring the fulfilment of accountabilities	Governance: Board and Executive Relationship The voice of risk	Support Support	Refer to relevant sections
	Culture: A deep-seated respect for loyalty exists in many areas of the Bank Issue identification and escalation of data to support insights	Finding Finding	

Hypothesis	Insight	Finding / Support	Theme Identified
A5 - We recognise and reward people for doing the right thing in ways that are fair, understandable, transparent and consistently applied and this supports the right outcomes and behaviours	Transparency of consequence management	Finding	Accountability for outcomes has lacked transparency, particularly in relation to poor performance and inaction
	Consequence management across the Bank has not been consistent	Finding	Accountability for outcomes has lacked transparency, particularly in relation to poor performance and inaction
	Action on variable and deferred remuneration	Support	Accountability for outcomes has lacked transparency, particularly in relation to poor performance and inaction
	Culture: A compliant culture	Finding	Refer to relevant sections
	Governance: Issue identification and escalation of data to support insights	Finding	

Governance

Hypothesis	Insight	Finding / Support	Theme Identified
G1 - Our Board and its operation is structured to understand the impact our business has on customers, our people and other stakeholders, and holds management to account through constructive debate and challenge	Identification of financial risk stronger than non-financial	Finding	Aspects of non-financial risk management lack maturity
	Customer remediation	Finding	We have not consistently completed change and remediation programs
	Issue identification and escalation of data to support insights	Finding	Aspects of non-financial risk management lack maturity
	Oversight of technology has been a weakness	Finding	Aspects of non-financial risk management lack maturity
	Board & Management Committees	Support	Key findings supporting hypotheses
	Board & Executive Relationship	Support	Key findings supporting hypotheses
	The voice of risk	Support	Key findings supporting hypotheses
G2 - Our Board and Management direct the required skills, time and resources to identify, act upon and monitor current and emerging risks and issues	Technology risk management affected by accountability and capability	Finding	There are fragmented infrastructures, drawn-out processes and siloed teams within ANZ
	Identification of financial risk stronger than non-financial	Finding	Aspects of non-financial risk management lack maturity
	Oversight of technology has been a weakness	Finding	Aspects of non-financial risk management lack maturity
	Customer remediation	Finding	We have not consistently completed change and remediation programs
	Challenges to deliver change outcomes	Finding	We have not consistently completed change and remediation programs
	Voice of risk	Support	Key findings supporting hypotheses

Hypothesis	Insight	Finding / Support	Theme Identified
G3 - Our key governance and decision-making bodies use effective and efficient information flow and connectivity, to consider the suite of financial and non-financial risk, including projects and change disciplines	Issue identification and escalation of data to support insights	Finding	Aspects of non-financial risk management lack maturity
	Oversight of technology has been a weakness	Finding	Aspects of non-financial risk management lack maturity
	Challenges to deliver change outcomes	Finding	We have not consistently completed change and remediation programs
	Volume of change impairs role clarity	Finding	We are in an accelerated change environment, heightening the stress on existing mechanisms and associated governance practices
	Reliance on informal networks	Finding	Complexity delays swift action and increases reliance on informal networks
	Complex policies and procedures	Finding	Complexity delays swift action and increases reliance on informal networks
	Board & Executive Relationship	Support	Key findings supporting hypotheses
	Board & Management Committees	Support	Key findings supporting hypotheses
G4 - We make significant business decisions within the appropriate governance frameworks, balancing customer and other stakeholder expectations	Focus on making things simple	Finding	Complexity delays swift action and increases reliance on informal networks
	Reliance on informal networks	Finding	Complexity delays swift action and increases reliance on informal networks
	Issue identification and escalation of data to support insights	Finding	Aspects of non-financial risk management lack maturity
	Board & Management Committees	Support	Key findings supporting hypotheses
	Culture: We have implemented a number of mechanisms to produce better outcomes for customers, as outlined in our strategic focus. We are continuing to design and implement initiatives that help ensure that the 'voice of the customer' is heard at all levels of the Bank and influence the way we engage with and serve our customers	Support	Refer to relevant section

Hypothesis	Insight	Finding / Support	Theme Identified
G5 - ExCo collectively make enterprise decisions to deliver our Purpose and strategy	Challenges to deliver change outcomes	Finding	We have not consistently completed change and remediation programs
	Board & Executive Relationship	Support	Key findings supporting hypotheses
G6 - We have implemented the 3LOD across ANZ, with business ownership and necessary independence of both 2nd and 3rd line which are adequately and appropriately funded and resourced	Intersection of business and technology – example of asset lifecycle management	Finding	There are fragmented infrastructures, drawn-out processes and siloed teams
	Technology risk management affected by accountability and capability	Finding	There are fragmented infrastructures, drawn-out processes and siloed teams within ANZ
	Accountability: Below senior executive level, accountabilities are less clear due to incomplete documentation, organisational complexity and the volume of change	Finding	Refer to relevant section
G7 - We have policies, processes and systems that are simple to understand and implemented to manage financial and non-financial risk end-to-end	Reliance on informal networks	Finding	Complexity delays swift action and increases reliance on informal networks
	Complex policies and procedures	Finding	Complexity delays swift action and increases reliance on informal networks
	Challenges to deliver change outcomes	Finding	We have not consistently completed change and remediation programs
	The voice of risk	Support	Key findings supporting hypotheses
G8 - We analyse and use critical, relevant and quality data to inform decision-making across	Issue identification and escalation of data to support insights	Finding	Aspects of non-financial risk management lack maturity
	Investment in technological capability and expertise	Support	There are fragmented infrastructures, drawn-out processes and siloed teams within ANZ

Hypothesis	Insight	Finding / Support	Theme Identified
G9 - We identify and escalate issues in a timely manner and remediate with sufficient resourcing, funding and oversight	Issue identification and escalation of data to support insights	Finding	Aspects of non-financial risk management lack maturity
	Oversight of technology has been a weakness	Finding	Aspects of non-financial risk management lack maturity
	Challenges to deliver change outcomes	Finding	We have not consistently completed change and remediation programs
	Customer remediation	Finding	We have not consistently completed change and remediation programs
	Intersection between business and technology - Example of payments outage	Finding	There are fragmented infrastructures, drawn-out processes and siloed teams within ANZ
	Intersection between business and technology – Example of asset lifecycle management	Finding	There are fragmented infrastructures, drawn-out processes and siloed teams within ANZ
G10 - We proactively allocate funding to reflect learnings and continually improve how our business manages risk and responds to the voice of the customer	Impact of NWOW	Finding	There are fragmented infrastructures, drawn-out processes and siloed teams within ANZ
	Challenges to deliver change outcomes	Finding	We have not consistently completed change and remediation programs
	Investment in technological capability and expertise	Support	There are fragmented infrastructures, drawn-out processes and siloed teams within ANZ
	Intersection between business and technology – Example of asset lifecycle management	Finding	There are fragmented infrastructures, drawn-out processes and siloed teams within ANZ