ROOT CAUSE ANALYSIS SUMMARY

ANZ Banking Group

November 2025

ANZ's Root-Cause Remediation Plan

ANZ confirms APRA has approved our Enterprise Root-Cause Remediation Plan (RCRP) that was submitted on 30 September 2025 in accordance with the Court Enforceable Undertaking (CEU) entered into by ANZ and APRA in April this year. Promontory, the Independent Reviewer appointed under the CEU, has now also issued its first report on the adequacy of the RCRP, program management capabilities and governance arrangements and Board and Group Executive management.

The RCRP has been developed with reference to an independent Root Cause Analysis (RCA) review conducted in accordance with the CEU. The RCA review identified root causes and behavioural drivers of shortcomings in ANZ's non-financial risk (NFR) management practices and risk culture as it relates to NFR. The RCA review was shared with APRA on 2 July 2025.

The RCA review found that, while ANZ has made improvements to its foundations for NFR management and had a collaborative and trusting culture where employees care for one another and are committed to 'doing the right thing', we lag behind our peers in our NFR management and risk culture as it pertains to NFR.

Being able to proactively identify NFR issues in a consistent manner across the business operations and respond to events quickly is essential for a well-run, resilient organisation and forms the foundation for maintaining trust and credibility. ANZ's deficiencies in these practices have led to poor outcomes for some of its customers.

The RCA review provided a view of weaknesses across six themes that reflect the foundational elements of an NFR system: *Culture, Capabilities & Consequences, Accountability, NFR Governance & Reporting, NFR Policies & Practices and Prioritisation & Execution.* Building on these themes, the review identified six Enterprise-wide root causes that underlie NFR deficiencies where they exist in ANZ. These six root causes are outlined below.

Permeating all six root causes is a set of behavioural drivers. Behavioural drivers are mindsets, behaviours and cultural traits. The RCA review identified four behavioural drivers which underlie NFR deficiencies at ANZ:

- **Reluctance to challenge and deliver bad news.** ANZ has a culture of respect that extends into a reluctance to challenge, which can diminish healthy debate and speaking up. ANZ values collaboration, but the involvement of multiple stakeholders can dilute accountability and delay decision making. ANZ's 'good news' culture can mask problems, diminishing awareness and preventing ANZ's decision makers from recognising emerging risks or understanding the full scope of issues.
- **Complacency and limited self-reflection.** Complacency perpetuates underlying issues and reduces opportunities for meaningful improvement. ANZ does not have a habit of performing root-cause analyses on NFR matters which can lead to ineffective treatment plans addressing symptoms rather than tackling underlying problems.
- **Insularity and lack of curiosity.** With respect to NFR, ANZ does not embrace benchmarking and peer insights as an opportunity to learn and improve; there is an unwillingness to compare ANZ to others. This inhibits development of a holistic Enterprise-wide view, as well as learning from industry peers.
- **Reactiveness and lack of urgency.** ANZ's reactive behaviour is evident in the insufficiency of proactive measures to prevent problems and in responsiveness, primarily when problems become too large to ignore. This contributes to problems persisting over long periods of time and becoming complex and challenging to resolve.

The RCA review found that the effect of these behavioural drivers was exacerbated by the following:

- **Insufficient leadership role modelling NFR management and clarity on related messaging.** In some areas, a failure to role model significantly influences employees' perception of acceptable behaviour and understanding of what good looks like for NFR management. Insufficient leadership role modelling can deteriorate ANZ's culture and risk culture and impacts the way staff approach NFR management.
- **Insufficient recognition of the value of NFR management for customer, risk and business outcomes.** ANZ strives for customer-centricity but the connection between NFR management and these outcomes has yet to be fully understood and embedded at ANZ. Employees tend to view NFR management separately from their responsibilities, undermining their sense of accountability and ownership, with limited understanding of the impact on the customer.

Root Cause 1: Culture

The RCA review found that ANZ's generally positive culture can manifest negatively in a reluctance to challenge, complacency, insularity, and reactiveness; this can be amplified by insufficient 'tone from the top' to embrace NFR management and focus on customer outcomes.

The review noted:

- ANZ prides itself on its collaborative and supportive culture, where people are well-intended and driven to 'do the right thing.' But when not managed, this culture can manifest negatively as a lack of challenge, complacency, insularity, and reactiveness.
- ANZ employees can prefer to 'stay in their own lane', leading to assumptions that problems will be addressed by someone else; it is not common to challenge or ask questions about areas outside their immediate area of responsibility.
- Some areas of ANZ have displayed limited curiosity or reflection on root causes and organisational weaknesses as well as a tendency to rationalise negative outcomes, in part due to a 'good news' culture focusing on the positives.
- There is a need for stronger 'tone from the top' to inspire the right behaviours in relation to NFR management and articulate a compelling motivation for why NFR management is important for achieving good customer outcomes.

Root Cause 2: Capabilities & Consequences

The RCA review found that foundational NFR management capabilities across the Three Lines of Defence (3LoD) and leadership ability to provide direction at ANZ require maturing; incentives and performance management are not effectively and consistently applied, and there is a tendency for inward orientation related to NFR management at the expense of external perspectives and talent.

The review noted:

- NFR management capabilities across the 3LoD are still maturing. While there are areas of high capability, NFR knowledge and skills are not consistent throughout the organisation and overall foundational NFR management capabilities require maturing. ANZ has not adequately developed the right mix of capabilities to operationally manage NFR but has focused on compliance, frameworks, and tooling. There is an over-reliance on select capable leaders, who are often spread thin. ANZ leaders could provide greater clarity, direction and performance management of employees. For many employees, the application of recognition, reward and performance management related to NFR management are not always clear. Divisional performance measurements do not place equal weight on NFR outcomes, and Divisional goals often take precedence over Enterprise risk management objectives.
- There is a bias to solve capability gaps by investing in technology solutions rather than investing in growing employee capability. Until recently, investment in improving NFR management capabilities has been limited compared to peers.
- ANZ has had a tendency for inward orientation regarding its people and perspectives, reflected in the long tenure of many of its employees. Limited focus on external talent and insights stifled opportunities for a better understanding of 'what good looks like' and continuous improvement. An inflow of external leaders bringing better industry practices into the Enterprise has only recently commenced.

Root Cause 3: Accountability

The RCA review found siloed thinking could prevent effective end-to-end accountability for NFR management; the 3LoD model is applied variably across the Enterprise, including inconsistent mandate and structure for Line 1 controls teams and examples of limited review and challenge provided by Line 2.

The review noted:

- The understanding and application of end-to-end accountability for NFR management is at varying levels of maturity, compounded by limited visibility of the whole value chain. Some processes lack defined accountability for end-to-end oversight. Where ultimate accountability is assigned, e.g., Risk Owners, they are not always equipped with sufficient end-to-end visibility.

- Leaders often take a siloed view of accountability, not considering the downstream and upstream implications of their actions, nor looking across the Enterprise. There are gaps in accountability due to Divisional and Functional siloes in risks and controls, and the spread of accountability ('Risk is everyone's business') has in some instances led to people not being held accountable. Business leaders do not consistently embrace the importance of NFR management and their accountability in delivering customer, risk and business outcomes. The link of how risks and controls result in good or poor customer outcomes is not clear to everyone.
- The 3LoD model for NFR management is not well-understood in practice across the 3LoD and is applied variably across the Enterprise. There are inconsistent mandates and structures for the Line 1 controls teams, with at least four different archetypes of Line 1 NFR team structures and variation in responsibilities. Boundaries between Line 1 and Line 2 accountabilities are blurred, with Line 2 executing Line 1 activities in some instances, particularly with Risk Theme Office (RTO) mandates. Line 2 activities are sometimes perceived as adding bureaucracy rather than providing helpful review and challenge, while Line 3 audits are not always perceived to provide incremental insight and value, nor result in tangible actions for the business to improve.

Root Cause 4: NFR Governance & Reporting

The RCA review found that transparency and insights on NFR provided in ANZ's governance forums are at an emerging level, compounded by a 'good news culture'. Some forums and leaders do not provide sufficient direction, focus on what matters most and outcome-orientation.

The review noted:

- Governance forums could provide better transparency and insights on NFR management to enable leaders to 'connect the dots' and allow for sufficient direction-setting and focus. 'Looking across' to see patterns and outliers and to identify systemic issues across the Enterprise is not one of ANZ's strong suits.
- NFR reporting can better distil the vast information available to generate insights. Reporting has until recently lacked consistent aggregation, long-term trend analysis, emerging risks and matters requiring attention, or whether risks are effectively managed.
- Reporting often provides a positive picture of the NFR profile despite obvious NFR challenges, and does not sufficiently escalate critical issues. NFR management discussions have focused on individual programs, events and topics rather than the holistic NFR management profile. Agendas at risk governance forums cover NFR matters extensively but discussions typically centre around issues and updates over thematic discussion and decision-making pertaining to NFR management.

Root Cause 5: NFR Policies & Practices

The RCA review found that NFR framework, policies, and processes are inconsistently applied across Divisions and Functions. There is variability in Group-level policy governance and reinforcement and in some instances limited adherence by Divisions and Functions. This is often exacerbated by the perception of frameworks being complex, compliance-focused and not business-oriented.

The review noted:

- Frameworks developed at ANZ are often detailed, developed with the aim of providing comprehensive guidelines. However, NFR frameworks, policies and processes could be adapted to become less complex and compliance- focused, with a clearer translation into day-to-day business operations. Language is sometimes perceived as not business-friendly and policies as over-engineered.
- While mechanisms have been put in place to engage Divisions and Functions in NFR framework design (i.e., Design Authority Group), Divisional leaders still feel it is a 'designed at centre, implemented in Divisions' approach. Also, Divisional procedures are not aligned with the related Group policy due to insufficient policy governance and reinforcement at Group level to ensure alignment. Changes and

adoption guides are not always communicated clearly and timely to Divisions, and formalised simplification and alignment processes are currently focused on Group policies rather than Divisional NFR procedures.

- There is an inconsistent interpretation and application of as well as adherence to NFR management practices across Divisions, Functions, and Lines of Defence. ANZ's federated model allows Divisions to operate with a high degree of independence, but has exacerbated the inconsistency, along with ANZ's fragmented policy framework landscape.

Root Cause 6: Prioritisation & Execution

The RCA review found that projects often had a tactical or isolated focus and were delivered in a 'mechanical' way without sustainable outcomes; there is insufficient prioritisation and coordination of change across the Enterprise.

The review noted:

- ANZ has been driving a large change portfolio with limited prioritisation overall and even less focus on NFR management priorities. Divisions have competed for priority and limited resources. Divisions and Functions have followed a top-down and bottom-up alignment approach, which has been perceived as challenging to position NFR management relative to other strategic objectives.
- Projects are stood up quickly at ANZ, but they are often left unfinished as teams and funding are reallocated before outcomes are achieved and sustained. Employees have a focus on execution, which has resulted in a 'mechanical' and task-focused way of project delivery, prioritising tactical fixes for isolated problems and tool development over sustainably embedding outcomes in the business. Change resistance and fatigue have emerged, caused by the approach to change implementation and the volume of updates and adjustments required. There is a lack of execution discipline in delivering milestones and projects on time and with adequate documentation.
- Although ANZ has made progress over the years through the implementation of NFR transformation initiatives such as I.AM Amplified, its historical challenges in sustaining outcomes are a significant concern. Addressing this root cause will be critical to ensuring that any future remediation plans drive meaningful and lasting change for the organisation.

Root Cause Remediation Plan

The root cause analysis review provides the cornerstone for the next phase of ANZ strengthening its NFR management practices and risk culture as it pertains to NFR and is designed to address the underlying weaknesses, root causes and behavioural drivers identified.

The RCRP addresses seven workstreams including *Governance, Accountability and Operating Model, NFR Framework and Processes, Culture, Performance and Remuneration, Capabilities, and Data and Systems.*

To ensure success of the RCRP, ANZ will implement robust governance that supports effective oversight and coordination. Learnings from previous programs and successful industry practices have been considered.

Our current expectation is for the execution of the RCRP to take approximately three to four years to successfully design, implement and embed changes across the Enterprise.

Independent Review of the RCRP

ANZ has appointed Promontory as the Independent Reviewer under the CEU to provide independent assurance in relation to the progress under the RCRP.

Promontory has issued its initial independent report, a copy of which is available at [anz.com.](anz.com)