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Market Announcements Office  
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### **Our self-assessment and what we are doing**

ANZ Chairman David Gonski AC today contributed an article to ANZ's publishing platform, bluenotes, detailing the actions being taken by ANZ to address the issues raised in its self-assessment report on governance, culture and accountability.

The text of the article is included in this announcement and can be accessed online at [www.bluenotes.anz.com](http://www.bluenotes.anz.com)

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## **Our self-assessment and what we are doing**

In the wake of a range of highly regrettable and indeed concerning issues in the financial services industry in Australia, the Australian Prudential Regulation Authority (APRA) asked a range of major banks, superannuation funds and insurance companies to take a very close look at their own behaviour and operations.

Demonstrating the seriousness with which our supervisor was treating these matters, APRA required several institutions to carry an additional capital overlay as a contingency against the risk these issues raised.

ANZ has provided APRA with our self-assessment report on governance, culture and accountability but more importantly our plan to prioritise and address the themes raised. Critically, the successful implementation of this plan is required to have the capital overlay removed.

There has been some attention given to the fact ANZ has not released its self-assessment. APRA requested these self-assessments on a confidential basis to ensure institutions responded in a way that was full and frank. We have respected that request, as well the fact that people contributed on that basis, and will continue to do so.

However, I do think it's appropriate we share the actions we are taking to address issues raised in our self-assessment with our shareholders and other stakeholders.

### **Our self-assessment**

Let me emphasise at the outset the steps taken in recent years to simplify our business, combined with a stronger sense of our core purpose, ethics and fairness, have produced better outcomes for our customers, our shareholders and the community.

However, we recognise 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 are being given to this task.

There were many critical findings in our self-assessment across culture, accountability and governance. The Board and the executive team are determined to make the self-assessment an opportunity to deepen our self-awareness, actively learning from these failings.

A few key areas are worth highlighting:

From a cultural perspective, we found a compliant culture with strong loyalty to teams - often at the expense of the broader group. There was also a greater focus on short-term fixes and what it meant to be 'customer-centric' lacked clarity and structure.

Accountability for outcomes across ANZ, particularly in relation to inaction or poor performance, often lacked clarity below the senior executive level (which has been enhanced by the recent introduction of the Banking Executive Accountability Regime).

In relation to governance, we found fragmented infrastructures, drawn out processes and siloed teams. We also found aspects of non-financial risk management lacking maturity and our complexity impede swift action as well as increasing the reliance on informal networks.

Another issue we identified has been a conditioned acceptance at ANZ that it's 'all too hard' or 'it's the way it's always been'.

We have a culture where our teams do not always speak up. When permission or a process is ambiguous we can be conservative in our decision making. Often this leads to an outcome where we do nothing. This needs to change.

## **Roadmap for change**

In developing our roadmap, we identified a number of focus areas in which to concentrate our efforts to deliver better outcomes, particularly for our customers. These areas were identified both through the self-assessment as well as issues that were examined by the Royal Commission.

*Simplification:* The continued simplification of our business, products and process. While we have made significant progress on this front, there is more to be done to reduce complexity and improve outcomes for customers.

*Culture:* ANZ is striving towards an aspirational culture and an environment where everyone is motivated and empowered to do the right thing as well as speaking up when they see something wrong. We will implement initiatives to improve the way we reward, coach and hold our people accountable. Just this month we announced wide-ranging reforms to our remuneration structure, which will result in individual bonuses for the vast majority of employees being replaced by an incentive based on the overall performance of the Group.

*Governance and Accountability:* Improving how we are held to account as well as how we manage and execute change. This includes the establishment of a Royal Commission & Self-Assessment Oversight Group to oversee and support our integrated response.

*Remediation:* Expanding our specialist customer remediation team to significantly improve the time it takes us to investigate issues as well as when customers receive their payments. Already we have almost 500 specialists focussed on remediation and that number is expected to continue to increase.

*Management of Operational Risk:* Commencing work to focus on non-financial risks which will improve the timely resolution of matters of note, particularly in our Australian retail and commercial businesses.

In developing our roadmap, we also identified key initiatives that matter most in addressing our self-assessment themes. This includes the major transformation of our Australia Division through to the work we are doing to become a more responsible bank.

## **Board oversight**

For our part as directors, we have also identified three core areas requiring additional Board involvement. These are 'short-termism', complexity and accountability.

We are determined the Board will improve the way it questions management - and itself - in relation to the question of our long-term ambitions. While it is noted many Australian institutions like us have a tendency to focus on the short-term, that is no excuse.

In terms of complexity and accountability, while the Board acknowledges the work committed to these issues by management, the Board will keep pace with these matters and provide effective oversight of management's work and progress. It is proposed management will report quarterly to the Board on progress in relation to the actions in the roadmap.

In addition, as a Board we commit to having a detailed review of the Board's charter and the charters of its principal Board Committees to ensure they provide clarity to the Board, management, and external stakeholders around the involvement of directors in the specific matters raised in the self-assessment and the roadmap. This will be completed, including making any necessary changes, by the end of this calendar year and I will provide an update at our Annual General Meeting.

## **Our aspirations and success measures**

We will be a simpler and less complex bank. Among other things, we will have fewer products and more effective systems and processes. We will record a marked improvement in our employee surveys and culture audits, we will resolve customer complaints faster and have a higher net promoter score.

Our staff will report improved clarity of what we expect of them and they will feel leaders are being held to account. There will be a material reduction in significant breach reporting over time and our investments to improve the bank will remain on track.

Customers will notice we are speeding up the resolution of our mistakes with payments hitting customer accounts faster.

Our regulator will recognise issues identified in our annual attestation are being resolved in a timelier manner and this will flow through to improvements in our three yearly comprehensive review.

We know there is a significant amount of work ahead and the ultimate measure of success will be the removal by APRA of the additional capital overlay.

I'm confident we now have the management team and oversight in place to execute effectively against our roadmap and this will benefit our customers, shareholders and the community.

*David Gonski AC is Chairman of ANZ Banking Group Ltd*

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