



Independent Review of Australia and New Zealand Bank's Root Cause Remediation Plan

Prepared for

Australia and New Zealand Banking Group Limited

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Disclaimer

Promontory, a business unit of IBM Consulting, has been engaged to provide external ongoing assurance to Australia and New Zealand Banking Group Ltd (**ANZ**) over the development and implementation of its Root Cause Remediation Plan (**RCRP**), which reflects the requirements of the Court Enforceable Undertaking (**CEU**) entered into with the Australian Prudential Regulation Authority on 2 April 2025.

This Report is provided solely for the purpose of Promontory's assurance over the status of compliance with the CEU in the context of the requirements for the development of the RCRP. Subsequent assurance activities and reports will focus on the execution of the RCRP.

Representatives of ANZ have reviewed a draft version of this Report for the purposes of identifying possible factual errors. Promontory is responsible for all views and information in this Report.

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Executive Summary

Promontory has been appointed as the Independent Reviewer to report on the execution of Australia and New Zealand Banking Group Limited's (**ANZ, Enterprise** or the **Bank**) Root Cause Remediation Plan (**RCRP**). The RCRP has been developed by ANZ in response to the Court Enforceable Undertaking accepted by the Australian Prudential Regulation Authority (**APRA**) in April 2025. The RCRP has been designed to address ongoing weaknesses in the Bank's non-financial risk management practices and risk culture.¹

Promontory considers that the foundational elements necessary to address these weaknesses have been established. Our assessment is based on a well-structured RCRP, the early formation of program management capabilities and governance arrangements, and the Bank's clear commitment to the execution of the RCRP.

The RCRP is comprehensive in that it has been designed to address the specific issues raised by APRA as outlined in the Court Enforceable Undertaking, the root causes identified through the Group-wide Root Cause Analysis and the Global Markets Business Review,² and other findings across a range of reviews regarding non-financial risk management and culture.

The RCRP also sets out a clear understanding of the expected future operating arrangements with defined accountabilities, and provides a structured approach to the design, implementation and ultimate embedment of the deliverables to progress ANZ towards achieving the defined target states.

The Plan is broad in scope and ambitious in scale. Successful execution of the RCRP is expected to deliver significant organisational transformation.

ANZ has established the People, Accountability, Customers and Trust Program (**PACT** or **Program**) to support the execution and provide governance over the RCRP. The Program is establishing the appropriate frameworks and related tools necessary to coordinate and support the delivery of the RCRP, with several actions already underway. It will be important that the Program actively monitors the execution to effectively respond to progress, feedback, risks and issues as they arise.

The ANZ Board and Group Executives have been actively involved in the development of the RCRP and the establishment of the Program, including clearly defining accountabilities, setting relevant outcome measures and ensuring key enablers for execution, such as the establishment of the Workstreams and Program Office, are adequately funded and resourced.

There also has been a commitment from ANZ through its 2030 strategic priorities to enhance non-financial risk management to improve customer outcomes, reinforced with a range of communications to staff and externally.

¹ APRA media release published on 3 April 2025, "APRA accepts Court Enforceable Undertaking from ANZ and increases capital add-on to \$1 billion", available at <https://www.apra.gov.au/news-and-publications/apra-accepts-court-enforceable-undertaking-from-anz-and-increases-capital-add>.

² ANZ Media release published on 3 April 2025, "ANZ confirms Enforceable Undertaking with APRA, releases Oliver Wyman report", available at <https://www.anz.com.au/newsroom/media/2025/april/anz-confirms-enforceable-undertaking-with-apra--releases-oliver-/>.

A key element of successful transformation within ANZ will be dependent on the Board and Group Executive's continued commitment to the Program, including closely monitoring execution and regular communications on relevant aspects of the Program.

Promontory's focus in the immediate future will be on reviewing the operationalisation of the Program activities that support effective execution, including for example, Program governance and internal assurance arrangements, management of risk, issues and dependencies, and implementation of change management practices.

Given the scope and scale of the RCRP, the level and change occurring within ANZ and the outcomes from the root cause analysis, as part of our assurance we will place additional focus on four key areas. These include building capability and capacity to achieve the required uplift, effectively prioritising activities, and actions taken to ensure that the planned changes will be consistently implemented across the Bank and be sustainable.

Introduction

This section provides background to the Court Enforceable Undertaking and ANZ's response, including the outcomes of the root cause analysis and the specific issues identified. These matters are provided to contextualise our observations and views set out later in this Report.

Background to the Court Enforceable Undertaking

On 2 April 2025, ANZ offered and APRA accepted a Court Enforceable Undertaking (**CEU**) to address ongoing weaknesses in its non-financial risk management practices and risk culture.

These weaknesses were first identified in ANZ's 2018 self-assessment over its practices for governance, accountability and culture. The entering of the CEU reflected APRA's concerns that ANZ had yet to consistently demonstrate that it was able to proactively identify and mitigate non-financial risk. APRA noted it persistently observed gaps in ANZ's operational risk and compliance risk management practices, weaknesses in the application of the three lines of defence model, a poor understanding of the root causes of these gaps and weaknesses, a predilection towards short-term tactical fixes, a tendency to approach non-financial risk management issues in a siloed manner, and a reactive risk culture.

In response to these shortcomings, the CEU required ANZ to appoint an Independent Expert to identify the Group-wide root causes and behavioural drivers behind ANZ's persistent weaknesses in non-financial risk management practices and risk culture. ANZ was then required to prepare the RCRP to address the findings of the Independent Expert's Review and the associated underlying weaknesses.

The RCRP must set out the target states that ANZ intends to achieve and define the remediation activities, and related timeframes, that will be undertaken to achieve the defined target states. Committed funding must be provided for the life of the RCRP with reasonable steps taken to ensure that the outcomes delivered under the RCRP are sustainable.

ANZ is required to appoint an Independent Reviewer to report on the execution of the RCRP and its progress in executing the remediation activities and achieving the defined target states.

ANZ's Response to the Court Enforceable Undertaking

In April 2025, ANZ appointed an Independent Expert to perform the Group-wide root cause analysis. The analysis was conducted between April and July 2025, focused on evidence from 2018 to 2025 and covered all Divisions³. The Independent Expert submitted the final report to APRA and ANZ on 2 July 2025.

³ For the purposes of this Report, references to 'Divisions' should be read as including Enabling Functions (i.e. Group Technology, Group Risk, Talent and Culture, Group Legal and Corporate Governance, Group Strategy and Transformation, Enterprise Finance, Group Operations, Group Communications and Public Affairs, and Internal Audit).

The report identified six Group-wide root causes behind ANZ's non-financial risk management weaknesses:

1. **Culture:** ANZ's generally positive culture can manifest negatively in a reluctance to challenge, complacency, insularity, and reactivity; this can be amplified by insufficient 'tone from the top' to embrace non-financial risk management and focus on customer outcomes.
2. **Capabilities and consequences:** Foundational non-financial risk management capabilities across the three lines of defence 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 non-financial risk management at the expense of external perspectives and talent.
3. **Accountability:** Siloed thinking can prevent effective end-to-end accountability for non-financial risk management; the three lines of defence model is applied variably across the Enterprise, including inconsistent mandate and structure for business (Line 1) controls teams and examples of limited review and challenge provided by the Risk function (Line 2).
4. **Non-financial risk governance and reporting:** Transparency and insights on non-financial risk management 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.
5. **Non-financial risk policies and practices:** Non-financial risk frameworks, policies, and processes are inconsistently applied across Divisions. There is variability in Group-level policy governance and reinforcement, and in some instances in adherence by Divisions. This is often exacerbated by the perception of frameworks being complex, compliance-focused and not business-oriented.
6. **Prioritisation and execution:** At ANZ, projects often have a tactical or isolated focus and are delivered in a 'mechanical' way without sustainable outcomes; there is insufficient prioritisation and coordination of change across the Enterprise.

The report also identified four themes that accentuated the impact of the six root causes. These include the diversity of ANZ's business, its federated operating model, the data and systems landscape, and ANZ's manual process environment. Recommendations in relation to non-financial risk covered areas including behaviours and mindsets, capabilities and capacity, performance and consequence management, end-to-end accountability, policy simplification, assurance across the three lines of defence, product governance and processes, data quality, conduct risk management, prioritisation and execution.

In response, ANZ prepared the RCRP and established PACT. Relevant details of the RCRP and PACT are described in the remainder of this Report.

ANZ appointed Promontory as the Independent Reviewer to report on the execution of the RCRP including ANZ's progress in executing the remediation activities and achieving the defined target states. *The Final Section* of this Report provides an overview of Promontory's Assurance Approach over the execution of the RCRP.

The Establishment Report

This is Promontory's Establishment Report, providing our assessment of the adequacy of ANZ's mobilisation efforts. Based on our experience with risk and culture transformation programs, our initial analysis and assessment focused on the adequacy of:

- the RCRP;
- program management capabilities and governance arrangements; and
- the Board and Group Executive engagement.

Adequacy of the RCRP

The process to develop the RCRP has been significant. The Central Program Team, supported by Advisers, coordinated the development of the RCRP with relevant workstream and design owners defining the required deliverables and activities. Extensive Divisional and Group-level reviews have been conducted over the adequacy of the RCRP. Feedback on the RCRP has also been sought from both APRA and Promontory, and we acknowledge ANZ's responsiveness in updating the Plan.

Our assessment of the adequacy and appropriateness of the RCRP's focused on its coverage, structure, and clarity of desired outcomes.

Coverage of the RCRP

The RCRP is broad and ambitious. It comprises seven 'Workstreams'⁴ with associated 'Problem Statements' that align with the identified root causes. Within each Workstream are a suite of 'Deliverables' designed to address the Problem Statements and a series of specific supporting 'Activities' that intend to, upon completion, lead to the completion of the Deliverable. In addition to the root causes, findings and recommendations from relevant reviews have been mapped to the RCRP Deliverables.⁵

The RCRP also includes both Workstream and Deliverable 'Target States' that articulate ANZ's aspirations for its non-financial risk management practices and culture. These Target States provide an important benchmark against which future assessments of RCRP progress will be measured.

Promontory considers that the scope of the RCRP is appropriately comprehensive to address the specific issues raised by APRA in the CEU and the identified root causes. Additionally, we note the RCRP incorporates relevant recommendations across the breadth of additional reviews considered by ANZ.

Structure of the RCRP

A well-structured plan is important to facilitating effective execution and appropriate assurance over the execution. In our view, a well-structured plan should support a logical progression of activities, provide clarity on accountabilities, and articulate key dependencies and reasonable timeframes.

ANZ has taken considerable care in developing the RCRP and we consider that the Plan provides a sound foundation for the effective execution of the Program.

The composition of the RCRP is broadly consistent with the structure observed in similar programs. As noted above, the RCRP is structured in accordance with the three levels of 'Workstreams', 'Deliverables' and 'Activities'. Activities are further categorised into one of three types:

⁴ Workstreams include: Governance; Accountability and Operating Model; NFR Frameworks and Processes; Culture; Performance and Remuneration; Capabilities; and Data and Systems.

⁵ Relevant reviews include the Group-wide Root Cause Analysis, the Global Markets Business Review, the Final Promontory Report on I.A.M. Amplified / CPS 230 Programs, Australia Retail's ASIC Matters, the CPS 511 Review, Board Effectiveness Review, APRA NZ Technology Review and the CPS 220 Triennial Comprehensive Review, as well as other internal reviews.

- **Design:** These Activities develop the associated uplifts to ANZ's practices and provide a sound basis for achieving the Deliverable and Workstream Target States.
- **Implement:** These Activities test the effectiveness and operationalise the associated uplifts, developed during the Design phase, across the Bank.
- **Embed:** These Activities embed the uplifts, established in the Implement phase, within the Bank's business-as-usual decision-making processes.

In addition to the substantive content of each 'Workstream', 'Deliverable' and 'Activity', the RCRP articulates several elements to support effective program management, including:

- **Accountabilities:** The RCRP defines the Workstream Owner for each Workstream, generally a Group Executive reporting to the Chief Executive Officer (**CEO**), the Design Owner for each Deliverable, generally part of the relevant Executive's leadership team, and the Activity Owners for each Activity.
- **Dependencies:** The RCRP identifies, at a high-level, dependencies within the RCRP and between the RCRP and other programs of work across the Bank.
- **Timeframes:** The RCRP defines the start date and due date for each Activity which then 'rolls up' to the start date and due date for the corresponding Deliverable.

Promontory notes that several Activities within the RCRP will require a broad range of underlying tasks to be completed. The volume of work to be completed within the associated Activities, means reliance will need to be placed on the detailed project management approach for managing dependencies, sequencing of underlying tasks, and identifying associated risks and issues. To support this, the Central Program Team is developing a detailed schedule (**Schedule**) outlining the underlying tasks, including milestones, timelines and dependencies required to deliver each Activity and execute the RCRP.

As part of developing the Schedule, the Central Program Team is aiming to ensure that Activities which lay the foundations for later Activities, or that need extended time for effective embedment are prioritised. It will be critical, as part of this planning, for ANZ to continuously consider the adequacy and availability of subject matter expertise in the businesses to deal with the volume of change during the Implement and Embed phases.

Clarity on Outcomes of the RCRP

A key factor in driving success across similar risk transformations has been the level of clarity in intended and expected outcomes at the Program outset. Articulating 'what success looks like' helps ensure that those executing the RCRP are aligned on the end goals. This also facilitates improved communications and connection with the broader organisation, and supports effective decision-making and oversight as progress towards desired outcomes can be more effectively monitored.

The definition of Deliverable and Workstream Target States within the RCRP is the first mechanism by which ANZ has provided such clarity. Importantly, these will be the primary benchmark by which we, as Independent Reviewer, will assess whether the Program is delivering tangible uplift in ANZ's risk management practices and supporting improved business and customer outcomes.

We consider that the current Target States are fit for purpose. However, we note that the practical meaning of descriptors such as 'consistency', 'sustainability', 'simplicity', 'resilience' and 'customer first' used in the RCRP are naturally open to interpretation. Throughout execution, the Program will need to clarify how these will be practically demonstrated, and the associated qualitative and quantitative measures that will evidence these. This will help ensure that Divisions are working together towards the same goals and are clear on the measures of success.

The development of Deliverable 'Outcome Measures' within the RCRP is the second mechanism by which ANZ has clarified its end-state aspirations. Outcome Measures, or similar, have been used across the industry to provide a more independent, quantitative and qualitative basis for measuring progress in delivering improvements in non-financial risk management and culture.

At present, the RCRP maintains over 140 Outcome Measures across the breadth of the RCRP. Promontory encourages ANZ to streamline the suite of measures by identifying and focusing on those most critical in benchmarking against the RCRP's Target States. Simplification may also be achieved by grouping measures by theme or aggregating measures at a higher level of abstraction.

Importantly, we observe that multiple Deliverable Outcome Measures reflect process completion, rather than the delivery of improved outcomes. These indicators are valuable in demonstrating task or activity progression, especially during the Design phase. As the Program moves into its later stages, we encourage ANZ to continue to reflect on the suite of Outcome Measures to ensure there is a greater emphasis on measures that reflect improvements in the Bank's risk management practices, business and customers outcomes, and behaviours.

Establishment of the Program

To deliver the RCRP, ANZ has established PACT to provide the infrastructure and program management capabilities necessary for successful execution. We consider that the program management and governance arrangements established under PACT provide a sound basis for the delivery of the RCRP. Additionally, the involvement from the Board and the Executive has been evident, demonstrating a firm tone from the top and commitment to PACT's success, with appropriate funding and resourcing committed at this early stage.

Tone from the Top

Clear, demonstrated commitment from the Board and Executive is crucial to the success of cultural transformations, at the outset, throughout the execution of the transformation, and continuing after the program is complete. To date, the tone from the top at ANZ has been notable, with the Board and Executive actively involved in reviewing the RCRP, defining accountabilities, setting expected outcome and performance measures, and ensuring adequate funding and resourcing.

The Board NFR Working Group, convened to provide timely oversight and direction to the development of the RCRP and establishment of PACT, has met regularly. This dedicated support has been in addition to the broader oversight by the full Board, which has proactively engaged on key Program matters such as business readiness for execution, capability requirements and the importance of embedding the Bank's new leadership team.

We understand that the Board is currently considering options around its method of ongoing oversight for PACT. As is the nature of cultural transformations, the Board's commitment to the success of the RCRP will be a key driver of PACT's long-term sustainability, and this commitment will need to remain visible throughout the organisation and for the life of the Program. The prioritisation of non-financial risk management in ANZ's 2030 strategy is an important marker of this commitment, though future initiatives for reiteration should also extend to less formal means such as closed sessions, Town Halls and internal communications.

The tone from the Executive has also been evident, with clear and consistent messaging from the CEO that a significant cultural and risk management transformation is required across the Bank. The CEO has also set out expectations and provided clear direction, both through these communications and through the Enterprise NFR Program Steering Committee.

Accountability mechanisms have also been established to crystallise the commitment from the Board and Executive. Accountability Statements for all Board Members, the CEO and Group Executives have been updated to incorporate key accountabilities for, and outcomes of, the RCRP. Executive Remuneration Scorecards have been updated to incorporate the delivery of the RCRP. The Group Scorecard includes an assessment of RCRP delivery progress and outcomes that will inform short-term variable remuneration outcomes, and the variable remuneration pool for all employees.

Additionally, ANZ has begun considering the cascade of accountabilities, with all employees to have a 'WHAT' and 'HOW' objective that includes effectively managing non-financial risk in their role, including supporting the delivery of the RCRP (as applicable). More specific RCRP objectives are being developed for roles with defined RCRP responsibilities.

Program Management

ANZ has, as part of PACT, established a program structure and related program management approach that is fit-for-purpose given the size, scale and complexity of the Program and RCRP.

PROGRAM STRUCTURE

In establishing the Program structure, ANZ has applied the following three guiding principles:

- Program accountabilities are aligned with business-as-usual accountabilities to ensure that change is sustainable beyond the scope of the Program.
- Governance forums and accountabilities are structured to enable clarity of roles and responsibilities, and effective oversight, decision-making, and delivery.
- Processes are designed to be practical, repeatable, and embedded into day-to-day operations.

In facilitating these principles, PACT has adopted a 'Hub and Spoke' delivery model, with the Central Program Team comprising the 'Hub' and the Design and Implementation owners, those accountable for operating the uplifted practices in business-as-usual, are the 'Spokes'. The model supports delivery of the RCRP closer to the business, in accordance with business-as-usual accountabilities, which can support more effective embedding of change, whilst maintaining the benefits of centralised monitoring and oversight.

The Central Program Team consists of two functions. The Program Management Office, focusing on Program scheduling, controls, reporting and regulatory engagement, and the Business Engagement team responsible for engaging with and supporting Design and Implementation owners, and providing oversight and central communications.

Workstream Teams are being established to support Design Owners in designing and setting enterprise frameworks and policies, and consulting with the Divisions to ensure designs are fit-for-purpose and practical. Implementation Owners within the Divisions are accountable for preparing the business for planned changes and ensuring changes are effectively operationalised.

Additionally, ANZ is establishing dedicated Non-Financial Risk Teams in each Division, with each General Manager Non-Financial Risk reporting directly to the relevant Group Executive. These teams will play a critical conduit role in supporting PACT and uplifting Divisional non-financial risk management capability more broadly, including by:

- coordinating activity across the businesses through dedicated change delivery teams that will own the intake and sequencing of activity;
- supporting Divisions to operationalise Implement and Embed Activities;
- driving local delivery and embedment through business-level change resources; and
- supporting Divisions with risk-related responsibilities, such as control testing, issues management and risk profiling.

Critical to the success of the RCRP will be ANZ's ability to monitor the capability and capacity of the business to receive planned changes. By aligning Program structures with business-as-usual accountabilities, the Implement Owners and Non-Financial Risk Teams should have greater opportunity to understand the 'total cost of ownership' of delivered changes and to provide feedback on any practical challenges. Challenges will likely become clearer as PACT moves from the Design phase into Implement and Embed, and we encourage ANZ to remain attuned to the importance of iterating designs where required.

DEPENDENCY MANAGEMENT

The Program Dependency Management Plan, currently in draft, outlines ANZ's approach to managing dependencies across the RCRP, including rating and classifying dependencies, principles for identifying new dependencies, and protocols for closing dependencies and managing changes.

Dependencies are identified through multiple channels, including structured 'Handshake' meetings between Workstreams, feedback from Divisions and external stakeholders, detailed planning and from Program forums. The Master Dependency Register, maintained by the Central Program Team, serves as the central source of truth for dependencies and related status. Dependencies will be captured in the Enterprise Project Portfolio Management tool, providing an additional control mechanism to monitor progress through to closure..

Each dependency is assigned a Supplier owner and a Receiver owner, both of whom attest to the conditions for execution and closure. Closure will be confirmed by the Receiver owner of the dependency and documented for governance purposes. Monthly reports will be used to track due items.

PROGRAM DELIVERY

A 'Package' delivery approach will be used to support the implementation of the RCRP across the Bank. The approach will see Activities grouped together into quarterly Packages that are delivered in parallel across all Divisions. The intent is for each Package to provide details on the changes, be appropriately sequenced to manage dependencies, and supported by effective change management enablers such as training, communications, evidence collection, and quality checks.

The approach aligns with that used successfully in similar programs across the industry, and should act to reduce delivery risk by coordinating consistent, planned change windows.

COMMUNICATIONS

A Communications Plan has been developed to support the rollout of PACT communications for the remainder of the 2025 calendar year. The Plan will then iterate, with activities planned in quarterly intervals to ensure communications appropriately reflect changes in the operating environment and responding to stakeholder feedback. Communications will utilise a range of internal channels (e.g., Town Halls, events, leader message banks, etc.) and be tailored to reflect the intended audience desired outcomes. Associated dates, accountabilities and artefacts are set out in the Plan.

We note that the incoming change from the RCRP will materially impact many aspects of ANZ's operations. Further, reforms to culture, governance and risk practices take time to effectively embed, and strong and consistent messaging is key to both developing and sustaining engagement and

momentum. It is therefore important that the communications strategy regularly reinforces the close alignment between robust non-financial risk management and optimising business and customer outcomes. As PACT progresses, we encourage ANZ to develop relevant measures to evaluate the effectiveness of PACT's communications strategy and evolve the approach where required, particularly as the Program moves from the more centralised Design phase into the more heavily devolved Implement and Embed phases.

MANAGING PROGRAM RISKS AND ISSUES

The PACT Program has prepared a draft Risk and Issues Management Framework that is aligned with the Bank's standards. The framework describes the steps to managing Delivery Risks and Issues over the life of the Program.

The Central Program Team has established a PACT Risk Register which records identified Program risks, including information on risk themes, risk rating, risk response and treatment plans.

As part of our ongoing assurance, Promontory will observe how the Program Risk Register is maintained. We will look for timely identification of risks and issues, clear allocation of accountability and the development of appropriate mitigation and treatment plans.

MANAGING RCRP CHANGE

Change control processes have been established to govern modifications to the RCRP. The approach defines four tiers of change,⁶ with requirements for managing changes and corresponding endorsement and approval requirements defined for each tier. Board approval is required for changes rated *Material* or *Major*.

A Change Request Form to document and manage the change request process is under development. A central Change Control Register will be maintained and tabled at the appropriate governance forums.

PROGRAM REVIEWS

PACT has incorporated regular reviews of the Program and RCRP to ensure they remain fit for purpose. The reviews will seek input from key internal and external stakeholders and include considerations of learnings through the period. These reviews should provide a valuable point to reflect on the progress of activities and towards achieving the Target States, providing an opportunity to make relevant adjustments and to reinforce the desired outcomes.

Program Governance

The Program Governance arrangements established for PACT are broadly fit-for-purpose given the size, scale and complexity of the Program and RCRP. Clear accountabilities, robust governance structures and insightful internal assurance will be key facilitators of effective Program delivery.

⁶ The four tiers of change are Material, Major, Moderate and Minor.

ACCOUNTABILITIES

Key accountabilities have been defined across the organisation to support delivery. In addition, to those accountabilities already outlined in this Report above, we make the following observations:

- The Board is accountable for the oversight and challenge of management's delivery of the RCRP. There are also Deliverables within the RCRP where the Board is an Activity owner, for example in the development and implementation of updated Board Charters.
- The CEO, as Program Executive Sponsor, is accountable for the timely, consistent and effective delivery of the Program and associated engagement with APRA and Promontory. This includes determining and maintaining the Program structure, responsibilities, committed funding and governance arrangements.
- The Chief Risk Officer is accountable for advising and reporting to the Board on the effectiveness of the Program in addressing the Problem Statements. This includes escalating any material risks or issues.
- The Executive Lead, Enforceable Undertaking / Non-Financial Risk Program is accountable for the overall Program delivery and outcomes. This includes the establishment and operations of the Central Program Team.
- All Group Executives, depending upon their role, are assigned accountability for either the Design Activity, or the consistent and effective delivery of Implement and Embed Activities within their Divisions. Where applicable, this includes ensuring Implementation owners have adequate resources and expertise to execute against RCRP requirements.

The accountability framework for PACT is sufficiently clear and provides a sound basis for supporting effective delivery of the RCRP.

As the Program progresses, relevant accountabilities and responsibilities will need to be further cascaded and operationalised within the 'middle management' cohort to support sustainability and operational effectiveness. Key to this will be the rollout of Program-led and Divisional-specific communications, meaningful behavioural change, and appropriate performance management practices.

GOVERNANCE FORUMS

Several forums are now in operation, following the establishment and approval of the RCRP and PACT. The hierarchy of PACT's governance forums will operate as follows:

- The Board will oversee and challenge overall Program delivery. While developing the RCRP and establishing PACT, the Board formed a Board NFR Working Group to ensure the timeliness of oversight and direction. The Board, supported by the Central Program Team, is currently considering options for maintaining oversight for the life of the Program.
- The Enterprise NFR Program Steering Committee, chaired by the CEO, has been established to oversee delivery of the Program and resolve Program roadblocks. It is the most senior executive governance forum for the Program, meeting monthly. This committee will escalate issues and risks to the Board as needed.

- Divisional Steering Committees will provide operational oversight of the Divisional implementation and embedment of the RCRP.
- The Deliverables Forum will provide operational oversight of progress against the Deliverables. The Forum will provide members with an opportunity to review and challenge frameworks, policies and process designs to ensure they are fit for purpose.
- The Divisional Delivery Forums will provide an opportunity for members to review the scope of upcoming Packages, including operational requirements such as prioritisation and sequencing to support delivery. The forum will also be a platform for knowledge sharing to support consistent risk management standards across the Bank.

The governance forums appear appropriate given the nature of ANZ's structure, the scope of the RCRP and the Program. As the arrangements are operationalised, Promontory will seek evidence of a strong, consistent and sustained "tone from the top" and prioritisation on outcomes desired from the Plan, rather than a focus on completing Activities.

INTERNAL ASSURANCE

Group Risk and Internal Audit will provide internal assurance over the execution of PACT and delivery of the RCRP.

Group Risk (Line 2)

Group Risk will provide assurance at a Program level, including reviewing the Program's adherence to governance requirements and the management of its risk profile. This will involve reviewing and challenging the Program's status, the identification and management of delivery risks, and the effectiveness of associated mitigation plans where appropriate. Assurance will also consider the overall quality of execution against the Program's objectives.

Group Risk will also provide assurance over Deliverable outcomes against their defined Target States, as well as overall Program outcomes against Workstream Target States. Outcomes from the assurance and analysis of the Target States, as relevant, will be reported to the relevant governance committees.

ANZ has recently centralised its Line 2 assurance model for non-financial risk under the Group General Manager Operational Risk. The centralisation aims to heighten focus on building capability and improving consistency of assurance across the Bank. We note that this centralisation, though likely to accrue material benefits, will need to be supported by an appropriate engagement model between assurance teams and Divisional CRO functions to ensure pertinent business knowledge in assurance reviews and to support shared insights around the risk and control environments of Divisions.

Internal Audit (Line 3)

Internal Audit, in line with the Audit methodology and in light of the scale of PACT, will provide assurance over the management and governance of the Program.

Internal Audit will not conduct direct assurance on specific RCRP Workstreams or Activities. Rather, as part of the Internal Audit Plan, Internal Audit will identify which RCRP Activities are relevant to its

planned audits and will offer insights at a point in time on the progress, consistency and maturity of key Deliverables.

Resourcing and Funding

The RCRP is a large, complex and resource-intensive plan that will touch on many aspects of the Bank's people and operations. To ensure long term sustainability of the implemented uplifts, ANZ has anchored to the principle that in budgeting and resourcing for PACT, the Divisions will be accountable for building and embedding required capabilities within their respective areas. Hence, the Program will be primarily delivered by those resources and teams that will own the implemented uplifts in business-as-usual.

In addition to the forecast for the Central Program Team and Independent Reviewer, the Design Owners and Divisions have provided preliminary estimates of FY26 capacity required, as at 1 September 2025. A more robust forecast will be prepared towards the end of the 2025 calendar year. The funding and resourcing plan will be regularly reviewed during the life of the Program to ensure it remains fit-for-purpose.

We will monitor the approach taken by the Design Owners and Divisions to understand and plan for the resource capability to execute relevant Activities, noting this includes immediate resources needed to complete Activities and resource planning to enable sustainable outcomes beyond the life of the Program.

Promontory's Immediate Focus

This Establishment Report focuses on whether the foundational elements for effective execution are in place. Our First Report will shift focus towards Program execution, including assessing ANZ's progress on delivering the RCRP and the effectiveness of Program management and governance under PACT.

We outline four areas of immediate focus below. In our experience, these areas are critical to the success of transformative programs.

Building Capability and Capacity

There have been several recent changes across the Bank, including to key executives and internal restructures, such as splitting the Operational Risk and Compliance Teams within Group Risk, centralising the Non-Financial Risk Assurance Teams under the Group General Manager Operational Risk, and establishing Non-Financial Risk Teams in each of the Divisions. We note the Non-Financial Risk Teams will play an important role in supporting the implementation of key Deliverables within the business.

Additionally, as discussed above, the RCRP is very ambitious with relatively short timelines for many Activities. Effective delivery to these timelines is therefore highly dependent on the Bank embedding the new structures quickly and having available resources and the appropriate capability. A key consideration will be for the Bank to assess its current capability levels, identify any gaps, and ensure its resourcing strategy achieves the right balance of capacity and capability to support effective Program delivery.

Promontory's experience is that, at the commencement of a major transformation, organisations often face shortfalls in specialist resources in culture, risk management and change. The market for subject matter experts is typically tight, and this has the potential to place pressure on the delivery of the Program. The development, retention and acquisition of the relevant subject matter expertise required to execute the RCRP is likely an ongoing challenge.

Effective workforce management and focus on building the capability and capacity is therefore of paramount importance. Promontory will review how PACT has determined the capability and capacity requirements for the Program, where shortfalls have been identified and how they will be addressed.

Activity Prioritisation and Scheduling

Effective scheduling of Activities is important as some Deliverables are complex requiring multiple iterations and adjustments to obtain the desired outcomes. Additionally, within the RCRP, there are multiple dependencies across the Activities requiring careful planning. For example, the RCRP includes a Deliverable focussed on uplifting the management of risk in change. The outcomes of this are intended to improve the management of change more broadly across the Bank which is important when considering the operationalisation of other RCRP Deliverables.

Prioritisation of relevant Deliverables, and careful scheduling is required to ensure that the Package delivery is done in a manageable way and supports the building of capability and the desired changes in risk behaviours across the Bank.

Ensuring Change is Sustainable

A common theme in the CEU narrative is ANZ's failure to effectively and sustainably embed remediation activities into the Bank's day-to-day operations. Although the RCRP provides a sound blueprint, it's only through its impending actions that ANZ can demonstrate that this attempt at risk management and cultural remediation will be more successful than earlier efforts.

We therefore encourage ANZ to constantly challenge itself on what it is doing differently to ensure a successful and sustainable remediation. This will require ANZ to maintain a razor focus on the desired outcomes, especially improved customer outcomes, to avoid slipping into preferring tactical or short-term solutions that do not address the underlying problem.

Additionally, as ANZ progresses through execution, it will be important to have appropriate focus on the Program Reviews and other mechanisms to review the RCRP, the Program and execution practices and adjust based on material changes and lessons learned (e.g., as a result of RCRP implementation feedback, material events and relevant review findings).

Consistency Across a Federated Operating Model

The Group-wide root cause analysis identified four themes, that although not classified as root causes, accentuate the root causes. One of those themes is ANZ's federated operating model. The Independent Expert noted that, although the federated operating model generated benefits it also had the potential to contribute to inconsistent practices between Divisions.

The federated operating model has been intrinsic within ANZ for a long period. Potential challenges and related risks in consistent application of Activities across the Bank should therefore be a key consideration by the Workstreams, Design Owners and Implement Owners. We encourage ANZ to continue to consider available mechanisms to support consistency across the Bank. For example, some of ANZ's peers have a centralised control function that is responsible for setting control standards, provides guidance and ensures consistency of implementation across the Bank. Many organisations also establish centres of excellence to support standardisation and collate learnings from across the Divisions.

Promontory's Assurance Approach

ANZ has appointed Promontory as the Independent Reviewer to report on the execution of the RCRP, and ANZ's progress in executing the Remediation Activities and achieving the Target States. Promontory is required to provide a report on ANZ's progress every three months, until the Remediation Activities have been completed.

Scope of Promontory's Assurance

Promontory's approach to the independent review of the RCRP comprises two distinct phases:

- Review and assess the adequacy of the RCRP in addressing the Root Causes and in progressing ANZ towards achieving the Target States. Our approach and assessment are outlined in this Establishment Report.
- Report on the execution of the RCRP, and ANZ's progress in executing the Remediation Activities and achieving the Target States. Our approach to this is outlined below.

Assessing the adequacy of the RCRP execution

Promontory's approach to providing independent review over ANZ's RCRP includes four key elements:

MONITORING THE EFFECTIVENESS OF PACT

Robust Program management and governance is critical to successful delivery of complex programs. Promontory will therefore take a range of steps to monitor the effectiveness of the Program. This will include (but not limited to):

- reviewing key artefacts such as risk, issues and dependency registers, and dashboards and reporting on the Program;
- meetings with members of the Central Program Team to obtain insights on Program status, key developments, risks and issues;
- observation at key Program working forums (e.g., Deliverable forums) and governance forums (e.g., Divisional and Enterprise Steering Committees, and relevant sessions at the Board);
- interviews with relevant staff to discuss progress of certain aspects of the Program and related outcomes; and
- meetings with Internal Audit and with Group Risk representatives to understand outcomes from any related independent assurance work.

ASSESSMENT OF KEY MILESTONES

Promontory will be working with the Central Program Team and Workstreams to identify key milestones for review. This will be done to provide timely feedback on progress and facilitate an efficient process with opportunity for ANZ to respond to any material issues identified.

Key milestones are likely to include approval of fundamental frameworks or models (e.g., Risk Management Strategy and Risk Culture Framework), implementation of key system updates or completion of material stages within an Activity (e.g., completion of a Pilot or Post Implementation Review, or finalisation of Dashboards).

Promontory may, through the assessment of the key milestones, request interviews and walkthroughs or to observe at specific forums.

ACTIVITY AND DELIVERABLE CLOSURE

On completion of each Activity and Deliverable, ANZ will prepare a 'Closure Pack' that includes relevant information for our assessment, including the approach taken, the outcomes achieved and progress towards the Target States. The Closure Pack also includes as Attachments the relevant supporting evidence.

Promontory will review each Closure Pack and provide ANZ with a formal assessment of the Activity completion. In assessing the Activities, Promontory considers:

- **Design Activities:** The assessment of whether the Closure Criteria have been met and whether the activity provides a sound basis for achieving the Target State and addressing the Root Cause. This includes review of artefacts, plans to support implementation, and consideration of stakeholder engagement, regulatory requirements, and industry practices.
- **Implement Activities:** The assessment of whether the Closure Criteria have been met and the implementation is likely to provide a sound basis for achieving the Target State and addressing the Root Cause, and consideration given to sustainability of implementation. This includes review of artefacts, conduct interviews and walkthroughs, feedback from end users (e.g., post implementation reviews), and the incorporation of lessons learned and improvement opportunities prior to embedment.
- **Embed Activities:** The assessment of whether the Closure Criteria have been met and consideration given to the sustainability of embedment, and whether the outcomes have adequately progressed ANZ towards achieving the relevant Target State, and addresses the Root Cause. This includes review of operational effectiveness, governance arrangements, and demonstration of impact on risk culture, control environment, and business decision-making.

In assessing the Deliverables, Promontory considers whether the Deliverable Target Outcome has been met, and the Deliverable is contributing to addressing the relevant Problem Statement and progressing towards achieving the Workstream Target Statement.

As part of the Closure Pack assessments, we may request additional information or evidence, interviews, observations (meetings / forums), walkthroughs and data for testing.

MONITORING THE ECOSYSTEM

The overall success of the Program is dependent on how the different Deliverables work together to achieve the uplift in risk management and behaviours. It is therefore important that our assessment

go beyond the individual Activities and Deliverables, and analyses how the different elements work together to achieve the appropriate outcomes.

Promontory will develop and agree an 'Assurance Plan' with the Central Program Team. The plan will be dependent on the phase of the RCRP execution. The Assurance Plan may include:

- observations at relevant committees and forums and key communication sessions (e.g., Town Halls, etc.);
- interviews with Group Executives, Directors, relevant specialists, Group Risk and Internal Audit; and
- requests for information, such relevant reports, root cause analysis of material events, reviews (e.g., Internal Audit and Group Risk) and regulatory communications.

Quarterly Reports

For the duration of the Program, Promontory will deliver a quarterly report, in a form to be approved by APRA, outlining the outcomes from our assessments above.

Glossary

Term	Definition
Activity	Specific actions to be completed to support the closure of a RCRP Deliverable.
Advisers	Advisers that supported ANZ in developing the RCRP
ANZ, Enterprise or the Bank	Australia and New Zealand Banking Group Limited
APRA	Australian Prudential Regulation Authority
CEO	Chief Executive Officer
CEU	Court Enforceable Undertaking
Deliverable	A set of specific, measurable activities aimed at delivering incremental value and addressing specific challenges within the scope of a RCRP Workstream
Establishment Report or Report	This report, the Independent Review of ANZ Banking Corporation's CEU Program
Group Executives	The CEO and members of the Executive Committee
Independent Expert	Conducted the Group-wide root cause analysis
Independent Reviewer	Promontory. Appointed to report on the execution of ANZ's Root Cause Remediation Plan
PACT or Program	People, Accountabilities, Customers and Trust Program
Promontory	Promontory, a business unit of IBM Consulting
RCRP or Plan	Root-Cause Remediation Plan
Schedule	A detailed plan that outlines the timeline, tasks and milestones required to complete a program
Workstream	Encompasses multiple RCRP Deliverables that are collectively grouped to achieve a Workstream Target State



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