

For Release: 3 April 2025

## ANZ confirms Enforceable Undertaking with APRA, releases Oliver Wyman report

ANZ confirmed today that it has entered into a court enforceable undertaking (EU) with the Australian Prudential Regulation Authority (APRA) for matters relating to non-financial risk management practices and risk culture across the Group, which includes an additional operational risk capital overlay of \$250 million (equivalent to 5 basis points of Common Equity Tier 1 capital).

The EU follows ongoing conversations between the bank and APRA regarding their concerns about ANZ's non-financial risk practices and risk culture. It also follows the emergence of issues in ANZ's Global Markets business which led to APRA in August 2024 expressing its concerns about ANZ's non-financial risk uplift program of work.

ANZ Chairman Paul O'Sullivan said: "We are disappointed that we have not met APRA's expectations about how the bank manages non-financial risk and its non-financial risk culture. A strong non-financial risk regime is critical to protecting our bank and our customers.

"While APRA has recognised the bank has a significant agenda of non-financial risk work underway and has made some progress with improving our practices, we recognise we have more work to do to uplift our management of non-financial risk and to improve risk culture across the bank.

"The EU entered into today provides us with a clear roadmap for addressing APRA's concerns. Both the Board and management will bring a clear-eyed focus to completing this work, seeking to have the capital overlay removed as quickly as possible," Mr O'Sullivan said.

ANZ Chief Executive Officer Shayne Elliott said: "While the bank remains in a strong financial position with strong capital and liquidity levels, we know we have more work to do in the coming two to three years to boost our uplift of non-financial risk practices."

As part of the EU agreed with APRA, an independent reviewer will soon be appointed to identify root causes and behavioural drivers of shortcomings in ANZ's non-financial risk management practices and risk culture. ANZ has committed to developing a remediation plan based on the independent reviewer's findings that will be Board approved and independently assessed and reported on a three-monthly basis.

Many elements of our program of work are already underway and while additional resources will be required, it is not expected to have a material impact on the Group's cost outlook.

### Oliver Wyman report

ANZ today also announced it has accepted all recommendations of an independent culture and risk governance review into its Global Markets business, commissioned by the ANZ Group Board. The appointment of Oliver Wyman and the scope of the review followed consultation with, and approval by APRA.

The review was in response to concerns around conduct, workplace behaviour and non-financial risk governance within ANZ's Global Markets business. Key findings include:

- A positive culture and risk culture within Institutional and Markets with staff broadly willing to speak up and raise conduct issues;
- No evidence found of widespread or systemic misconduct within Markets and that behavioural issues that led to the review were isolated incidents;
- The way staff within Markets experience the culture is variable and the culture was not always strong enough to constrain inappropriate behaviour;
- A three Lines of Defence model existed within Markets that was well designed and formed an effective foundation, but inconsistent execution of first and second line non-financial risk management activities was observed; and
- Markets leadership shortcomings with regard to the importance and ownership of non-financial risk management.

Mr O'Sullivan said: "The Board accepts all the recommendations of the Oliver Wyman review and will hold management accountable for implementing these in a systematic and permanent manner. This will be integrated with the work we are doing across the Group to comply with the EU agreed with APRA.

“While numerous staff reported to Oliver Wyman that culture and risk culture within our Institutional and Markets businesses have improved significantly over the past decade, it’s clear there is more work to be done to ensure conduct and behaviour issues do not go unaddressed in the future.”

The independent review by Oliver Wyman took place over a five-month period, from October 2024 to March 2025 and included a review of more than 1,400 documents, a survey of 3,400 employees and more than 110 staff interviews. As agreed with APRA, the review excluded the Markets matters currently subject to regulatory investigation.

#### Taking action

ANZ is taking a number of immediate actions in response to the Oliver Wyman report and EU, including the appointment of senior executives to strengthen non-financial risk management practices and risk culture across the Group. These actions include:

- The creation of a new Executive role Group Head, Non-Financial Risk Program Delivery reporting to the Chief Executive Officer. Current Head of Singapore and Head of South-East Asia, India and Middle East, Mark Evans, has been appointed to the role. Mr Evans is a former ANZ Chief Compliance Officer and Head of Strategic Planning and Execution for Institutional. This role will be responsible for leading ANZ’s response to the EU in order to strengthen non-financial risk management practices and risk culture in a consistent and sustainable way across the bank;
- The appointment of Dan Wong to Group General Manager Operational Risk, reporting to Chief Risk Officer Kevin Corbally. Joining from IAG where he was responsible for enterprise risk, Mr Wong will be accountable for ensuring operational risk is integrated into strategic decision-making processes, allowing for a more holistic approach to risk management across the organisation; and
- The Board will require Group Executive Institutional, Mark Whelan, to oversee the implementation of the 19 recommendations and 53 sub recommendations of the Oliver Wyman review. He will be supported by a dedicated working group and secretariat to drive ANZ’s response, and will report to the Board on progress.

These actions build on earlier work including recent appointments in the Markets Sydney dealing room of the Head of Markets Australia, Deputy Head of Markets Australia, Head of Markets Risk, Senior Business Partner, Talent & Culture, and Head of Corporate and Commercial Sales.

A copy of the Oliver Wyman review is available at [newsroom.anz.com](https://newsroom.anz.com) and attached.

#### For media enquiries contact:

**Lachlan McNaughton**  
Head of Media Relations  
Tel: +61 457 494 414

#### For analyst enquiries contact:

**Jill Campbell**  
Group General Manager, Investor Relations  
Tel: +61 412 047 448

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# **GLOBAL MARKETS BUSINESS REVIEW**

01 April 2025

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# 1. Executive summary

## Background, scope and approach

ANZ's Global Markets business has drawn stakeholder and media attention due to concerns related to conduct, workplace behaviour, and non-financial risk governance. In response to these concerns, the ANZ Board and the Australian Prudential Regulation Authority (APRA) initiated an independent review into Global Markets culture and risk governance.

Oliver Wyman was engaged to conduct the review, which consisted of a culture diagnostic, risk governance review, and root cause assessment for the Global Markets business. The review took place over a five-month period, from October 2024 to March 2025, and excluded any assessment of matters subject to regulatory investigation or legal action, as agreed with ANZ and APRA prior to the commencement of the review.

Oliver Wyman used three complementary research methods to gather information across Global Markets and the broader ANZ Bank Group including document review, an employee survey, and interviews. We reviewed over 1,400 documents, surveyed over 3,400 employees and conducted over 110 interviews.<sup>a</sup> Oliver Wyman had full discretion over the interview list, ensuring a representative sample was selected. To protect the anonymity of ANZ staff, no direct quotes from the survey or interviews have been shared with ANZ or included in this report. In addition, we reviewed case studies to understand the operating effectiveness of the culture and risk governance infrastructure of Global Markets, including past operational incidents and material Markets change programs. Oliver Wyman did not investigate any instances of inappropriate workplace behaviour; where inappropriate behaviour is referred to throughout the report, this relates to instances where staff have alleged or reported such events.

Oliver Wyman provided periodic updates on material observations to the ANZ Board and management team as well as APRA throughout the engagement. ANZ were also provided an opportunity to review the case study fact bases as they formed an important evidence base for the risk governance assessment. Both ANZ and APRA were given the opportunity to review a draft of the final report in order to identify any potential instances of factual inaccuracy or unclear expression. Throughout the process, Oliver Wyman retained full editorial ownership of the final report, and the views contained in this report are our own, based on our review of the facts and our experience in performing similar reviews with Australian and global financial services firms.

## Findings

### People and culture

The culture of ANZ Institutional and Markets has notable strengths. Most employees express pride in working at ANZ, appreciate its culture, and operate within the Group's risk culture expectations. The culture emphasises positive traits such as collegiality, commercial drive, and reliability. However, the way staff experience the culture is variable; sub-cultures exist where people understand the culture in different

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<sup>a</sup> Oliver Wyman issued the survey to Institutional and Markets staff in both business and enablement functions. We received responses from 3,495 employees. The interviews were conducted with current ANZ Board members, executives, and staff across Institutional, Markets and enablement functions. The interviewees were purposefully selected to provide a diverse pool of experiences and perspectives across countries, functions, desks, and levels of seniority.

ways, and the culture is not always strong enough to compel staff to act in line with expected behaviours. This creates the potential for isolated behaviours, at odds with the overall culture, to emerge.

There have been allegations of multiple instances of unacceptable workplace conduct in Markets in recent years, relating to a small number of individuals, including bullying and alcohol and substance abuse. These alleged incidents were serious, and in some cases sustained over time. However, we did not find evidence of widespread or systemic misconduct. Most staff members do not recognise the inappropriate behaviour that has been reported as representative of the culture they experience and are disappointed by what has occurred.

A significant number of staff members in Sydney and London across various roles and seniority levels within Markets shared that they had raised concerns to management about the observed inappropriate workplace behaviour. Staff believe Markets leadership did not take decisive action to address the reported misconduct, allowing it to persist. This has undermined confidence that speaking up about concerns drives action, as well as eroding trust in leadership and negatively impacting morale. Some Markets leaders have compounded these challenges by not effectively role modelling leadership standards and risk management behaviours.

The Group's employee-related processes, including the remuneration framework and consequence management process, appear to be soundly designed overall. However, their application in Markets did not effectively contribute as intended to preventing or addressing the instances of inappropriate workplace behaviour which were reported to Oliver Wyman.

A positive but variable culture, leadership shortcomings, and limitations in the supporting infrastructure allowed misconduct to emerge and persist. This ultimately resulted in a loss of trust among staff. Regaining this trust and attaining confidence that similar problems will not re-emerge will require work to strengthen the culture, leadership capabilities, and supporting employee processes.

### **Governance**

A well-defined and embedded Three Lines of Defence model is an essential part of a bank's overall risk governance framework. The Markets model is well designed and forms an effective foundation but is not consistently executed as intended. In the first line, there are several issues. The role and mandate of Desk Risk Managers (Markets first line risk), have in practice expanded over time to take on responsibilities from both the front office and Risk. There have been failings of front office supervision responsibilities. Additionally, front office staff were not sufficiently involved in risk remediation activities, contributing to ambiguity about risk ownership and impacting their non-financial risk capability development. We also observed instances of the second line Risk function providing insufficient independent review and challenge of Markets activities related to non-financial risk. The execution of the Three Lines of Defence model in Markets has led to non-financial risk management weaknesses and made it harder for Markets to develop consistent risk capabilities across the business.

The oversight governance model for the Group and Markets provides a solid framework for effective oversight, with the Board and management highly engaged. However, enhancing reporting to include meaningful insights and trend analysis would better empower the Board and management committees to engage in discussion and challenge.

### **Policies and frameworks**

Markets has a comprehensive suite of risk policies and frameworks effectively designed to guide risk management and operations. We believe these are appropriate for an organisation of ANZ's size, business mix, and complexity, covering all required policies and material risk types.

While thorough, some of the current policy documentation suffers from inconsistency and complexity, making it challenging for employees to navigate and apply these policies as intended. This can result in inconsistent application. Simplifying and clarifying current policies will enable Markets staff to independently and confidently operate within established guardrails, without the need to rely on support functions in a way that diminishes their own risk ownership. Similarly, Markets' approach to setting and managing to its risk appetite is appropriate and within the Group's limits, although there are opportunities to make incremental improvements to the framework's usefulness.

### **Tools and processes**

The Markets business has made significant progress in evolving its risk infrastructure, particularly since the FX and BBSW CEUs. However, while the risk tools and processes in place are appropriate, there is more work to be done to ensure they are used consistently and effectively.

The control framework is well-designed to mitigate key risks; however, the highly manual control landscape is not sufficiently supported by key processes to prevent control failings. Limitations in the quality of control testing and independent oversight may contribute to an overly optimistic perception of how effectively risks are managed. Similarly, ANZ's tools for measuring risk culture are soundly designed but there are opportunities for refinement to ensure they are producing accurate results.

Markets has a strong track record of rapid response to operational risk events; however, this does not always translate into effective monitoring and remediation of issues. The absence of an end-to-end view of key processes exacerbates these gaps, limiting the business's ability to identify or remediate interrelated risks. Greater emphasis on controls verification processes and systematically embedding lessons learnt across the business will enhance the overall effectiveness of Markets' risk management framework.

While this report identifies a number of shortcomings, we also acknowledge that Markets has made significant improvements in recent years to improve culture, conduct, and risk governance. Initiatives such as I.AM Amplified, the Markets Culture Uplift Program, and the FX and BBSW CEU Programs illustrate that significant change is achievable when there is a strong focus and commitment.

### **Root causes**

Oliver Wyman has identified five root causes that we believe contributed to both the emergence and persistence of the shortcomings discussed in this report.

- Markets leadership shortcomings with regard to the importance and ownership of non-financial risk management (including conduct risk) that has resulted in a lack of effective embedding of these responsibilities across the business
- Inconsistent execution of first and second line non-financial risk management activities by the appropriate functions, leading to unclear risk ownership and insufficient independent review and challenge
- A tendency to view issues as isolated and overlook dependencies or systemic concerns, impacting Market's ability to identify broader risks requiring holistic remediation
- A focus on execution that drives action, but centres on implementing activities rather than driving towards outcomes to embed change and reduce risk
- A variable Markets culture that was not always strong enough to constrain inappropriate behaviour

Addressing these root causes requires a comprehensive approach, including a shift in mindset, behaviours, and changes to the supporting infrastructure. Failing to address these root causes may lead to the re-emergence of shortcomings outlined in this report or allow new vulnerabilities to surface.

## **I.AM Amplified non-financial risk program**

I.AM Amplified is a Group-wide non-financial risk uplift program that has been ongoing since 2020. Through this review, we considered the extent to which the I.AM Amplified Program (the Program) is likely to remediate the issues identified in Markets, and if not, why not. This included analysis of the original I.AM Amplified problem statements, objectives, project charter, and recent documents related to the Program's delivery and governance in Markets.

While the Program has established a Group-wide approach to non-financial risk management and reporting, many of the Markets specific observations in this report will not be directly addressed. For the most part, the shortcomings observed in Markets fall outside the Program's current scope or are highly specific to the Markets business.

The Group intends to build on the foundations from I.AM Amplified and other risk initiatives with an enterprise-wide non-financial risk program. The goal of this program is to embed effective non-financial risk management across the Group. The draft plan covers frameworks and governance, Three Line of Defence and risk culture, systems and data, operational resilience including process value chains, and a focus on culture, capability and consequence management processes. We anticipate the Markets recommendations outlined in this report will be included in a separate Institutional or Markets dedicated program of work.

### **Group-wide implications**

The review scope also included an evaluation of the likelihood that the shortcomings identified in Markets may be present in other areas of the Group. To assess this, we performed a high-level review of data and documents from ANZ's Retail Division, as the next largest Division, to determine if there were any indicators suggesting that the themes identified could also be relevant outside Markets.

We observed many indicators, both positive and negative, of the operating effectiveness of the risk governance infrastructure in the Retail Division that were similar to those observed in Markets. As such, we anticipate a reasonable degree of likelihood that some of the root causes and risk governance shortcomings identified in Markets may be found elsewhere within the Group. However, it is important to note that the nature of our review, which was driven by summary documents and data without the inclusion of interviews, tools and process assessments, or independent surveys, does not provide definitive evidence of specific gaps or their nature. Oliver Wyman recommends that ANZ either conduct a further detailed assessment of whether the gaps identified in Markets are present elsewhere and/or operate on the assumption they are and apply appropriate remediation on a Group-wide basis, tailored to the specific businesses within each Division or Function.

### **Recommendations**

The paper contains detailed recommendations to address the identified issues. However, we suggest prioritising the following initiatives to significantly enhance risk management in Markets.

- **Leadership:** Clarify and reinforce Markets leadership standards to align leaders' actions with the desired culture and conduct to drive improved outcomes. Support leaders to effectively communicate and embed risk, culture, and behavioural expectations through practices such as storytelling and role modelling.
- **First and Second Line of Defence:** Refresh Markets' articulation of how its governance model should work in practice to create distinct and differentiated roles for Markets front office, Markets first line risk (especially the Desk Risk Managers), and Risk to improve consistency in risk governance execution and independent challenge.



- Front office supervision: Ensure that expectations for supervisors are clearly articulated, reinforced, and monitored. Enhancing the tools and data available to supervisors will empower them to fulfil these responsibilities more effectively.

Other recommendations are focused on cultural change; improving reporting capabilities; controls testing practices and capabilities; improving root cause remediation and sharing lessons learnt; and simplifying policies and frameworks to support consistent adoption across the business.

We observed strong focus and attention from Markets leaders to improve the business's non-financial risk practices. As Markets moves forward to address the issues identified in this report, the primary challenge will be to embed these changes in a sustainable and consistent manner throughout the business. Markets must evolve its approach to culture and risk remediation governance to one that drives accountability for outcomes and demonstrates incremental risk and culture improvement. This will help ensure that the improvements in culture and risk governance not only take root but also become the standard way of working across the whole business.

### Conclusion

Based on our review, the behavioural issues that led the ANZ Board and APRA to request an independent assessment were isolated incidents. Overall, the culture and risk culture within Institutional and Markets is positive. Staff are broadly willing to speak up and raise conduct issues with management. However, leadership did not take effective action when behavioural issues arose and fell short on staff engagement and role modelling. These leadership shortcomings, alongside gaps in non-financial risk management, made it possible for instances of unacceptable and inappropriate behaviour to persist. We observed inconsistencies in the effectiveness of risk governance infrastructure, which should have otherwise identified vulnerabilities and more effectively escalated issues as they arose. The way in which these issues were managed, and the perceived lack of effective action by Markets leaders have negatively affected staff sentiment toward leadership; rebuilding this trust will take time.

Oliver Wyman has concluded that all the Markets conduct issues identified through this review were isolated incidents; our review did not identify any other significant Markets risk events. However, we believe that the weaknesses in culture, leadership, and infrastructure could lead to material issues in the future if they are not addressed.

Throughout the engagement, Markets, Institutional, and ANZ Group leaders and staff were open and transparent, providing both candid accounts of how the business operates and recommendations for improvement. The feedback of many interviewees showed a sense of pride in the Markets business, together with an awareness of the gravity of the issues that have emerged and the challenges currently facing the business. Staff commitment to addressing these challenges and getting Markets on to a stronger footing in terms of culture, conduct, and non-financial risk management was also very apparent. Based on these attitudes, and the fundamental strengths of Markets and Institutional's culture and risk management framework, we are optimistic that this goal can be achieved. There is nevertheless much work to be done on multiple fronts to address the identified root causes. The Markets business needs to foster greater non-financial risk awareness and strengthen leadership, culture and accountability. These improvements need to be supported by more consistent execution and more robust risk infrastructure. Making these investments will enable Markets to capitalise on its many cultural and commercial strengths, build trust in leadership, and mitigate the risk of recurring issues.

## 2. Background, scope and approach

### 2.1. Background

The Australia and New Zealand Banking Group Limited (ANZ or the Group) is a diversified financial services firm providing retail, commercial, and institutional banking products and services.<sup>a</sup> The Institutional Division services global institutional and business customers across three product sets: transaction banking, loans and specialised finance, and markets.

ANZ's Global Markets business operates within the broader Institutional Division, employing over 1,600 staff across 18 markets.<sup>b</sup> It offers a range of financial services to assist clients including trading, risk management, and investment solutions.

In 2019, the Australian Prudential Regulation Authority (APRA) mandated 36 financial institutions, including ANZ, to conduct a Risk Governance Self-Assessment due to observations arising from the CBA Prudential Inquiry.<sup>1</sup> During this assessment, ANZ self-identified areas for improvement in culture, governance, and accountability and subsequently developed a roadmap to address these areas.<sup>2</sup> As a result, APRA required that ANZ hold an additional \$500 million capital to cover associated non-financial risks, consistent with requirements applied to other major Australian banks at the same time.<sup>c</sup>

Since then, ANZ has made significant progress in enhancing its risk management practices through initiatives such as the I.AM Amplified program, the CPS 230 uplift, and other discrete programs of work.<sup>d</sup> In addition to the Group-wide risk management remediation programs, Global Markets has delivered several dedicated risk management and cultural remediation programs, including those related to the FX and BBSW Court Enforceable Undertakings (CEUs) and the Markets Culture Plan.<sup>e</sup> Despite various initiatives and significant investment, subsequent reviews continued to identify areas for improvement to embed risk governance practices.<sup>f, 3</sup>

Recently, ANZ's Global Markets business has drawn stakeholder and media attention due to concerns related to non-financial risk governance and alleged inappropriate workplace behaviour in the Sydney dealing room.<sup>g</sup> In response to these concerns, the ANZ Board and APRA initiated an independent review into the Global Markets culture and risk governance.<sup>h</sup> Reflecting their heightened concerns about ANZ's non-financial risk management practices, APRA also increased the Group's capital charge to \$750 million.<sup>4</sup>

<sup>a</sup> The Group refers to the ANZ Bank Group, which houses ANZ's business activities and material risks.

<sup>b</sup> Institutional operates across 21 markets.

<sup>c</sup> ANZ, Westpac, and NAB had capital charges of \$500 million, and CBA had a \$1 billion capital charge applied.

<sup>d</sup> I.AM Amplified is the Group-wide non-financial risk uplift program; more details on the scope of this program are included in Section 5. I.AM Amplified.

<sup>e</sup> Following two CEUs in 2017, ANZ initiated two remediation programs: the FX and BBSW CEU programs. These programs, implemented between 2017 and 2024, involved updates to Global Markets policies, procedures, systems, controls, training, guidance, and frameworks aimed at preventing, detecting, and responding to misconduct and concerns identified by the Australian Securities and Investment Commission (ASIC). Global Markets has engaged in a risk culture and culture uplift program (the Markets Culture Plan) since 2013, with structured initiatives to improve speak up culture, leadership capability, and learning.

<sup>f</sup> Consistent themes are present in Promontory's 2021 report assessing ANZ's progress against the 2018 Risk Governance Self-Assessment (RGSA) actions, ANZ's 2022 Internal Audit report, and APRA's 2023 RGSA feedback.

<sup>g</sup> Concerns relate to alleged inappropriate workplace behaviour in the Sydney dealing room, bond reporting data, and bond trading activity.

<sup>h</sup> The ANZ Board refers to both the ANZGHL Board and the ANZBGL Board (and their Board Risk Committees) unless otherwise indicated. ASIC are also conducting a separate investigation into the bond trading matter.

## 2.2. Scope

This report represents the output of the independent culture diagnostic, risk governance review, and root cause assessment for ANZ's Global Markets business, commissioned by the ANZ Board and APRA. Referred to as the Global Markets Business Review, the work was conducted over a five-month period, from October 2024 to mid-March 2025. It excludes any matters currently subject to regulatory investigation or legal action, as agreed with ANZ and APRA prior to the commencement of the review. Oliver Wyman did not investigate any instances of inappropriate workplace behaviour; where inappropriate behaviour is referred to throughout the report, this relates to instances where staff have alleged or reported such events.

Oliver Wyman provided periodic updates on material observations to the ANZ Board, ANZ Management, and APRA throughout the engagement. Involved stakeholders were also provided an opportunity to review the case fact base which formed part of the risk governance assessment. Oliver Wyman has retained full editorial ownership of the final report. The views contained in this report are based on our experience in performing similar reviews with Australian and global financial services firms.

### Culture diagnostic

The culture component of the review sought to determine whether the concerns within the Sydney dealing room were localised or systemic. The Board aimed to understand the following within the context of Global Markets:

- The tolerance and consequences for behaviours that conflict with ANZ's values and Code of Conduct, including substance abuse (alcohol or drug use), racism, and bullying;
- The strength of the speak-up culture, focusing on support for individuals raising concerns about misconduct, process failures, potential breaches, or systemic issues;
- The risk culture, including emphasis on risk management behaviours, adherence to ANZ policies and values, and the willingness to exploit grey areas;
- Leadership behaviours and capabilities, including role modelling, risk management, and addressing misconduct; and
- The effectiveness of controls and leadership in identifying, responding to, and holding staff accountable for cultural issues.

The review also included an initial assessment of the current Institutional Division culture and any variation from Global Markets.

### Risk governance assessment

The risk governance component of the review fulfils APRA's requirement of ANZ to appoint an independent party to review the root causes of recent workplace behaviour issues and risk governance concerns in the Global Markets business and assess the potential impacts across the broader bank.<sup>5</sup> The review included:

- A detailed assessment of Global Markets risk governance infrastructure against Oliver Wyman's assessment framework;
- An assessment of ANZ's risk culture measurement approach, and a comparison of Oliver Wyman's findings with ANZ's internal risk culture findings;
- An assessment of the root causes that led to recent issues and risk governance concerns;
- A review of the I.AM Amplified program to determine its effectiveness in addressing any identified Markets weaknesses; and
- An assessment of the extent to which Markets weaknesses may be present elsewhere in the Group.

This report also presents comprehensive recommendations aimed at addressing the identified weaknesses, as well as targeted strategies to tackle the underlying root causes.

## 2.3. Approach

We assessed culture, conduct, risk infrastructure, and risk governance and culture outcomes to derive a comprehensive view of the Markets business.

Culture is a combination of employee beliefs, thoughts, and biases, and is often not homogenous across an organisation of ANZ's scale. Conduct is the tangible manifestation of culture through the actions, behaviours, and decisions of individuals. Culture outcomes are observable consequences of both culture and conduct including business performance, resilience, continuous improvement, and employee and customer engagement. Risk culture and governance outcomes include risk exposure, compliance, business performance, and continuous improvement.

The following sections outline the research methods and assessment frameworks Oliver Wyman used during the review to assess the business's current culture and risk governance.

### 2.3.1. Research methods

Oliver Wyman used a number of complementary research methods to gather information across Global Markets and the broader ANZ Group, employing three key research methods: document review, an employee survey, and interviews.

**Document review:** Oliver Wyman conducted a detailed document review to assess the current state of risk management, culture, and accountability at ANZ. We reviewed over 1,400 artefacts from ANZ, including documents related to ANZ Group, Institutional, and Global Markets. Our evaluation relied on the completeness and accuracy of the data provided by ANZ.<sup>a</sup>

**Survey:** Oliver Wyman surveyed over 3,400 employees to gain insights into their perspectives on the culture, conduct, and risk governance practices within the Global Markets and Institutional Division. This survey aimed to identify strengths and areas for improvement by leveraging a standardised set of questions, informed by previous ANZ employee engagement and risk culture surveys, APRA's risk culture survey, and Oliver Wyman's culture diagnostic framework. Each participant answered 57 questions, including one open-ended response, to provide a comprehensive understanding of employee views and experiences.<sup>b</sup>

**Interviews:** Interviews were conducted with over 110 stakeholders across ten locations to supplement insights from the document review and survey. These confidential interviews allowed Oliver Wyman to gain a deeper understanding of stakeholders' attitudes and understanding of risk governance, leadership, and culture practices.<sup>c</sup> Interviewees included ANZ Board members, Group executives, Institutional Division executives, Global Markets leadership and staff (including revenue-generating staff across different teams,

<sup>a</sup> Documents reviewed include key risk management documents, such as frameworks, policies, procedures, Board and Board committee papers, management committee papers, audit reports, project documentation, internal staff communications, and human resources data. A summary of the documents reviewed is included in the Appendix.

<sup>b</sup> Prior to the commencement of the review, the survey scope was expanded to include all Institutional Division employees to better understand any cultural variances compared to Global Markets and understand areas requiring further investigation in agreement with ANZ and APRA. The survey was issued to approximately 7,500 staff: all Institutional Division staff and Global Markets-aligned support function staff. 3,495 responses were received, with 2,016 free-text responses. Refer to the Appendix for further detail.

<sup>c</sup> The discussions primarily centred on Markets, while also engaging with Institutional Leadership to explore any differences in approaches, behaviours, attitudes, and mindsets in Institutional regarding culture and risk governance.

locations and roles) and aligned support function staff.<sup>a</sup> Oliver Wyman committed to interviewees that individual comments would remain confidential in order to enable candour, and had full discretion over the interview list, ensuring a representative sample was selected. Interviews were conducted using consistent interview formats and discussion guides to facilitate the comparison of feedback across interviewees.<sup>b</sup>

To protect the anonymity of ANZ employees, direct quotes from the survey and interviews have not been included in this report.

### 2.3.2. Culture diagnostic

Measuring and observing culture within an organisation can be challenging. Culture encompasses both observable behaviours, such as actions and statements, and underlying mindsets, which include the often-unconscious attitudes and assumptions shared among individuals. To address this, we have developed a comprehensive, research- and data-driven model to qualitatively and quantitatively measure culture and provide a clearer understanding of its dynamics within the organisation.

Oliver Wyman's approach to culture describes six primary traits that shape the social and cultural behaviour of all organisations. Each trait represents a distinct and valid way to view the organisation, solve problems, and understand how leaders approach and role model expected standards. While these traits are present to varying degrees across all organisations, their unique combinations and strengths shape shared norms and behaviours. Each cultural trait can yield both positive and negative outcomes if not managed effectively; none of these traits represent universal characteristics of a 'high-performance' or 'best' culture.

1. **Affinity:** emphasises strong, supportive relationships but may also experience slow decision making and stifled competitiveness. Risk may be managed socially, requiring consensus building, which may result in slower response to risk events.
2. **Productivity:** emphasises achievement-orientation and ambition, where determination and drive are important. Risk management may be approached with an execution mindset; however, over-emphasis may lead to behaviours that deviate from established rules and guidelines.
3. **Authority:** emphasises strength and influence, often resulting in a competitive environment. This can result in fast decisions and responsiveness to crises but may also result in centralised risk decision making through established governance structures or dependency on the knowledge of select influential individuals.
4. **Universality:** emphasises purpose and values where compassion and making a difference are important. Risk decisions are typically guided by a long-term perspective and a deeply-held belief in the mission but may result in a lack of attention to immediate, short-term risks.
5. **Stability:** emphasises predictability, where efficiency and order are important. However, this may be characterised by a low risk tolerance, careful planning, and avoidance of uncertainty which may lead to rigidity in the face of evolving risk factors.
6. **Adaptability:** emphasises flexibility, where new ideas are easily sparked and curiosity flourishes. This may result in a flexible, 'test and learn' approach to risk that affords greater resilience in times of change but can result in increased risk-taking behaviours.

This model allows us to test both the nature and strength of the culture. By culture strength we mean how consistent, widespread, and well-liked a company's culture is across people and teams. A strong, unified

<sup>a</sup> Interviews were primarily conducted in person across Sydney, Melbourne, Auckland, Wellington, Singapore, Hong Kong, Seoul, Tokyo, London, and New York. Support functions included staff in Risk and Compliance functions aligned to Global Markets.

<sup>b</sup> Interviews covered culture experiences, conduct, risk culture outcomes, and perspectives on leadership and risk governance.

culture serves to guide and constrain behaviours, mindsets, and conduct by influencing or even overriding individual tendencies. Less unified cultures allow individual or localised preferences to dictate behaviour and can lead to poor risk culture outcomes, including conduct risk, if left unchecked.

Culture strength is measured through three parameters:

- **Agreement:** the degree of consensus on shared norms and behaviours;
- **Intensity:** how strongly people are motivated to align behaviours within the culture; and
- **Favourability:** how people feel about the culture and the degree which they identify with the culture.<sup>a</sup>

Oliver Wyman used both the survey and interviews to assess the culture topics identified by ANZ's Board. This assessment was further supported by a targeted document review of over 150 cultural artefacts, which provided insights into the espoused culture, risk culture, and conduct expectations within the Group, Institutional, and Global Markets.

### 2.3.3. Risk governance assessment

Oliver Wyman's risk governance assessment framework was used to structure the Markets review and ensure coverage across relevant areas. The framework covers:

- **People and culture:** the extent to which the Markets culture and risk culture supports effective risk management, including the capability of leaders and the efficacy of performance management, remuneration, and consequence management as incentive mechanisms.
- **Governance:** the effectiveness of governance structures in supporting sound risk management, including Board and Management committee reporting as well as roles, responsibilities, and accountabilities for managing risk across the Three Lines of Defence.
- **Policies and frameworks:** the appropriateness and effectiveness of strategies, policies, and frameworks critical to managing risk in the Markets business, including risk appetite statements.
- **Tools and processes:** the design and operating effectiveness of tools, processes, systems, and approaches to manage risk, with a specific focus on the efficacy of controls and incident management.

Detailed areas for assessment were identified across the framework and tested through a set of case studies, interviews, document review, and additional deep dives.

In consultation with ANZ and APRA, we selected five case studies to examine the practical operation of the Markets risk governance infrastructure. These case studies encompassed a range of Markets risk events and change programs, reflecting various time periods, locations, degrees of escalation, and levels of remediation.<sup>b</sup> An overview of the case studies is included below and in the Appendix.

- **Case study A:** control and process breakdown involving teams across Markets and Group functions, which could have, but ultimately did not, result in a loss.
- **Case study B:** trade surveillance control failings and remediations, that provide insights into the control environment and processes across the 3LOD.
- **Case study C:** FX and BBSW Court Enforceable Undertaking programs of work from 2017 to 2024, reflecting Markets' approach to material risk governance improvement over a multi-year period.

<sup>a</sup> Agreement was measured through individual and group differences in the Oliver Wyman Culture Diagnostic Survey and interviews. Intensity was measured through a combination of questions that test whether respondents think others will disapprove of inconsistencies in values, and by variability over time. Favourability was measured through questions that test whether respondents like a culture, feel proud, and have a shared sense of identity with culture norms.

<sup>b</sup> Refer to the Appendix for further information on how the case studies were selected.

- **Case study D:** distribution of a Markets product that was subsequently discontinued, which provided opportunities to assess policy effectiveness and risk awareness.
- **Case study E:** Institutional and Markets culture programs from 2013 onwards with a focus on leadership capability improvement, highlighting leaders’ influence on cultural change.

ANZ have confirmed that there were no material financial losses related to case studies A, B or D, and cases C and D were change programs.

Additional deep dives on controls, governance, and risk culture were conducted to gain additional insight into Markets practices beyond the case studies. Oliver Wyman established a formal fact-check process with ANZ stakeholders to confirm our understanding of the provided documents. In addition, Oliver Wyman assessed control and remediation processes relevant to the issues observed.

To assess the suitability of the I.AM Amplified program in addressing the identified issues, we conducted targeted interviews with staff involved in the program and reviewed over 100 relevant program documents. This review included the original I.AM Amplified problem statements, objectives, project charter, and recent documents related to the program’s delivery and governance.

Oliver Wyman’s review focused on Markets-specific risk governance and assessed Institutional or Group-wide policies and procedures applicable to Markets. We also evaluated whether identified Markets risk governance issues had the potential to be present across the broader Group, reviewing a broad range of Group-wide data to support this review.

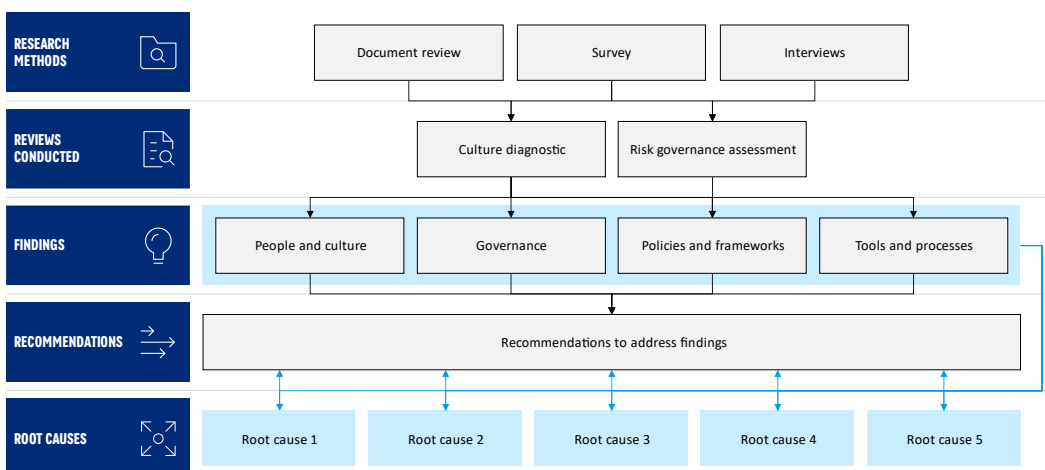
Our observations of industry practice from work with other local and global banks informed the evaluation of the existing infrastructure and provided concrete examples of effective risk management practices and recommendations for enhancing Markets risk management practices.

### 2.3.4. Overall assessment

The observations gathered from the culture diagnostic and risk governance assessment were integrated to form a comprehensive assessment of the Global Markets business.

Figure 1 illustrates how the different research methods were combined to assess their impact on Global Markets, identify the relative significance of the observations, and offer clear, actionable recommendations for improvement. This integrated approach enabled us to identify common root causes contributing to the shortcomings observed in Global Markets, which intersect both the scope of the culture diagnostic and risk governance review.

**Figure 1: Oliver Wyman’s approach to risk governance and culture assessment**



## 2.4. Report structure

Section 3 of this report contains our key findings relating to risk governance and culture, across each dimension of our risk governance assessment framework. For each dimension, we present our findings, summarise the key supporting evidence and provide recommendations for improvement.

- Section 3.1. People and culture
- Section 3.2. Governance
- Section 3.3. Policies and frameworks
- Section 3.4. Tools and processes

The following sections discuss root causes, I.AM Amplified, the Group-wide applicability and more detailed recommendations for consideration.

- Section 4. Root causes
- Section 5. I.AM Amplified
- Section 6. Group-wide applicability
- Section 7. Recommendations

This report is supported by the following appendices:

- Appendix A. Oliver Wyman Culture Diagnostic Survey
- Appendix B. Case study selection
- Appendix C. Documents reviewed
- Appendix D. Glossary of terms and abbreviations

Throughout the report, we refer to key terms that are defined here as well as in the glossary. We have highlighted two specific sets of terminology that are important to understand:

- We use the term 'issues' to refer to actual events or identified gaps, and the term 'concerns' to refer to observations that have the potential to give rise to unintended outcomes or employees' beliefs about potential issues
- The term 'Markets leaders' refers to members of the Markets Leadership Team (MLT)

Footnotes are included throughout the report to provide further explanation or detail, and endnotes are listed at the end of the report to cite key sources. Footnotes appear as letters and endnotes are numbered.



## 3. Detailed findings

### 3.1. People and culture

The culture of ANZ Institutional and Markets has notable strengths. Most Institutional employees express pride in working at ANZ, appreciate its culture, and operate within the Group's risk culture expectations. The culture emphasises positive traits such as collegiality, commercial drive, and reliability. However, the way staff experience the culture is variable; sub-cultures exist where people understand the culture in different ways, and the culture is not always strong enough to compel staff to act in line with expected behaviours. This creates the potential for isolated behaviours, at odds with the overall culture, to emerge.

There have been allegations of multiple instances of unacceptable workplace conduct in Markets in recent years, relating to a small number of individuals, including bullying and alcohol and substance abuse. These alleged incidents were serious, and in some cases sustained over time. However, we did not find evidence of widespread or systemic misconduct. Most staff members do not recognise the inappropriate behaviour that has been reported as representative of the culture they experience and are disappointed by what has occurred.

A significant number of staff members in Sydney and London across various roles and seniority levels within Markets shared that they had raised concerns to management about the observed inappropriate workplace behaviour. Staff believe Markets leadership did not take decisive action to address the reported misconduct, allowing it to persist. This has undermined confidence that speaking up about concerns drives action, as well as eroding trust in leadership and negatively impacting morale. Some Markets leaders have compounded these challenges by not effectively role modelling leadership standards and risk management behaviours.

The Group's employee-related processes, including the remuneration framework and consequence management process, appear to be soundly designed overall. However, their application in Markets did not effectively contribute as intended to preventing or addressing the instances of inappropriate workplace behaviour which were reported to Oliver Wyman.

A positive but variable culture, leadership shortcomings, and limitations in the supporting infrastructure allowed misconduct to emerge and persist. This ultimately resulted in a loss of trust among staff. Regaining this trust and attaining confidence that similar problems will not re-emerge will require work, including strengthening the culture, leadership capabilities, and supporting employee processes.

#### Key observations

1. Institutional has a largely positive culture and risk culture; employees appreciate the culture and are proud to work at ANZ
2. The culture is variable, staff often understand it in different ways, and it was not always strong enough to consistently drive behaviours
3. We identified localised examples of alleged workplace misconduct in Markets relating to a small number of individuals, but not widespread or systemic misconduct
4. Staff reported raising conduct issues with management and are broadly willing to speak up
5. Staff believe Markets leadership did not take effective action on reported misconduct, leading to a loss of trust in leaders
6. Markets leadership fell short on staff engagement and role modelling
7. Some employee-related processes require improvement to operate effectively

## 1. Institutional has a largely positive culture and risk culture; employees appreciate the culture and are proud to work at ANZ

Staff across Institutional generally appreciate the culture they experience and take great pride in working for ANZ. They perceive the organisation to be well managed, and value the strong proposition it offers: an inclusive culture that supports work-life sustainability, which many staff describe as relatively unusual in the institutional banking industry. Across Institutional, 82% of survey respondents are proud to work at ANZ, and 80% like the culture. For Markets employees, the results are 76% and 77%, respectively. The results within Markets are materially lower in two locations, with just over 60% of Markets Australia and Korea staff being proud to work at ANZ, and around half of Markets Australia and Korea liking the culture.

Numerous staff mentioned that the culture and risk culture at Institutional, and in particular within Markets, have improved significantly over the last decade, as a result of the leadership team's efforts and cultural change programs. There is a significantly greater emphasis today than in the past on professional, inclusive, and risk-aware behaviours.

Our culture survey and interviews revealed several consistent cultural strengths for the Institutional Division. The culture emphasises stability, productivity, and affinity.<sup>a</sup> Organisations with stability-oriented cultures are reliable, value established ways of working and are generally risk aware; such cultures are common in the financial services industry. A productivity-focused culture is results-oriented, placing a high value on delivery and commercial drive. High affinity within a culture indicates a collaborative and collegial environment. Interviewees frequently described the culture as friendly, cooperative, respectful, and inclusive, which fosters a positive atmosphere that encourages teamwork and mutual support among colleagues. These traits are important cultural assets for ANZ, helping it attract and retain staff and contributing to both business results and risk management. The dominant cultural traits also have downsides at times; employees reported that the collegiality and emphasis on consultation in the culture could lead to slow decision-making and that the orientation to stability sometimes discourages innovation.

Institutional staff perceive the risk culture to be effective, and for the most part, both ANZ's Risk Culture Survey and the Oliver Wyman Culture Diagnostic Survey indicate favourable perceptions of risk culture among Institutional and Markets staff.<sup>b</sup> Both ANZ and Oliver Wyman's surveys indicate that over 90% of Institutional staff believe that risks are well managed, and are actively considered in decision making, and that when issues arise, appropriate changes are made to prevent recurrence. Oliver Wyman's survey shows that 90% of Institutional staff view Risk and Compliance as respected functions.<sup>c, 6</sup>

Markets staff generally act in line with ANZ's values and risk appetite. They are mindful of navigating grey areas appropriately and often consult with support functions for clarity in ambiguous situations.<sup>d</sup> Most staff effectively manage operational risk issues, often responding promptly once issues are identified.<sup>e</sup> Oliver Wyman found no evidence of tendencies to exploit grey areas or intentional breaches of risk policies, processes, guidelines, or frameworks.

<sup>a</sup> Institutional staff were asked 24 questions about how strongly they perceive different culture traits. Of the top 12 questions where staff expressed the strongest perceptions, all but one related to the stability, productivity, and affinity traits. Refer to the Appendix for further detail on Oliver Wyman's Culture Framework and supplementary analysis from the Culture Diagnostic.

<sup>b</sup> Several questions relating to risk culture received favourability scores of over 80%, including questions relating to: understanding risk appetite, raising issues when something is not right, leadership demonstrating accountability for risk, leaders effectively managing critical risks, having the appropriate skills to manage risk, discussing risk daily, considering risk in decision-making, respecting the Risk and Compliance functions, and preventing issues from recurring. See Appendix for full survey results.

<sup>c</sup> There were instances where the two surveys yielded materially different results; these are discussed below.

<sup>d</sup> About 20% of interviewees explained that they consult DRMs in ambiguous situations or grey areas to ensure that risk is managed appropriately and policies and procedures are adhered to.

<sup>e</sup> Refer to Section 3.4. Tools and processes for details on event management and escalation.

## 2. The culture is variable, staff often understand it in different ways, and it is not strong enough to consistently drive behaviours

Despite the positive features of the Institutional and Markets culture, it is not experienced evenly across locations, functions, and seniority levels. Our analysis suggests that staff within Institutional, including Markets, have a relatively low degree of agreement or consensus on the core norms and behaviours of the culture. This indicates a degree of variability in how the culture is expressed.<sup>a</sup> For example, we noted a significant difference in the culture of Markets Sydney compared to the broader Institutional culture. Staff in Sydney described a culture that places a strong emphasis on authority over affinity. Authority in this context refers to an environment where decisions are often guided by influential individuals, and leadership is generally characterised by a focus on power and the ability to influence others.

Several of our survey and interview questions were designed to understand how motivated Institutional staff are to align their behaviours with the cultural norms. We refer to this as the culture's intensity. Responses to these questions revealed that Institutional has a mixed or moderate degree of cultural intensity. This suggests that personal preferences and team norms, especially those set by managers, often have a greater influence on behaviour than the overall culture. As a result, the culture is not as effective in consistently guiding staff behaviour as it ideally should be.

The overall culture's variability and its limited ability to consistently compel and guide behaviour led us to conclude that several distinct sub-cultures exist across the Institutional business, particularly within Markets. These sub-cultures can emerge from factors such as geographic diversity, inconsistent leadership messaging, and variations in how official communications convey cultural and behavioural expectations.<sup>b</sup>

Institutional is a geographically diverse business, operating in 21 markets. However, while large and geographically diverse organisations often exhibit sub-cultures, we observed greater variability in Institutional and Markets that we would expect to observe at other global institutions with a similarly diverse geographic footprint.<sup>c</sup>

The presence of multiple subcultures within a business heightens the risk that some may establish behavioural norms that conflict with the expectations of the overall culture. This can lead to undesirable behaviours, such as workplace misconduct or a lack of risk awareness in decision-making. This can help explain how instances of inappropriate behaviour can emerge in an otherwise positive culture.

## 3. We identified localised examples of alleged workplace misconduct in Markets relating to a small number of individuals, but not widespread or systemic misconduct

Oliver Wyman did not find evidence of widespread or systemic misconduct within Markets. Interviewees expressed concerns about multiple instances of unacceptable behaviour within Markets over a number of years, including bullying, aggression, and substance misuse among a small number of Markets employees. About 30% of the staff interviewed were aware of these behaviours, with many providing first-hand reports of various incidents. Oliver Wyman received isolated reports from staff of inappropriate behaviours, including bullying, and alcohol and substance misuse in Sydney and London and bullying in Singapore. Multiple interviewees reported that the individuals in question engaged in this inappropriate behaviour for periods of several months or even years without effective intervention.

<sup>a</sup> The Institutional culture scores low on Agreement. It is measured through individual and group differences in Oliver Wyman Culture Diagnostic Survey and interview responses.

<sup>b</sup> Official communications in this context refers to the ANZ ICARE Values, ANZ Behaviours, Risk Principles, Institutional Culture Plan, Institutional Aspirational Culture, Markets Culture Plan, Markets Aspirational Culture, and the Global Markets Behaviours.

<sup>c</sup> Based on Oliver Wyman's proprietary benchmarking of several hundred organisations, including other global banks with a similar scale, global footprint, and business mix.

Most staff members were clear that they do not view bullying, or alcohol and substance abuse to be reflective of the ANZ culture they experience and consider these instances to be outliers. Our review of anonymised Markets employee relations data also did not produce any evidence of more widespread misconduct of this nature.

Ultimately, despite a generally positive culture, localised instances of inappropriate workplace behaviour occurred and persisted in Markets. This shows that, in these cases, the culture was not strong enough to guide leaders and align behaviour in line with ANZ's expectations and values.

#### **4. Staff reported raising conduct issues with management and are broadly willing to speak up**

Numerous staff members who reported incidents of inappropriate behaviour expressed that they, or colleagues they knew, had previously sought to address these conduct concerns with management through both formal and informal avenues.

More broadly, staff in Markets are willing to speak up on risk or conduct issues that concern them. Indeed, 86% of Markets staff agree that individuals within their area raise issues when they believe something is not right.<sup>7</sup> The established speak-up channels, such as through the *Incident Management Framework*, Employee Relations, and Whistleblower channels, routinely receive reports from Markets staff. Numerous interviewees indicated they had previously raised concerns regarding risk management or cultural issues through formal or informal channels.

Despite this general willingness to speak up, staff identified several barriers to doing so with confidence. Some staff voiced concerns about the confidentiality of speak-up channels, sharing first-hand experiences of breaches and instances where complainants faced retaliation from respondents or their managers and leaders. Only 74% of Markets staff agree they can raise issues without fear of reprisals or negative consequences.<sup>8</sup> Employees also highlighted challenges regarding confidentiality during investigations, noting that managers and relevant support function staff sometimes fail to handle confidentiality appropriately. Although verification of these issues did not form the scope of our review, a broad perception regarding the confidentiality of escalation channels was evident across many Markets locations.

#### **5. Staff believe Markets leadership did not take effective action on reported misconduct, leading to a loss of trust in leaders**

There is a strong and widespread perception among staff that Markets leadership either acted too slowly or not firmly enough on the inappropriate workplace behaviour reported in Sydney, London and, to a lesser extent, Singapore. Interviewees felt that Markets leadership did not manage the issues escalated to them, allowing the conduct to persist. In some cases, staff reported experiencing threats of recrimination for raising these issues. Despite senior Markets staff and leaders being aware of the conduct, these behavioural issues were allegedly not addressed through the *Markets Incident Management Framework* or other reporting mechanisms for an extended period. Markets and ANZ leaders also acknowledged through our engagement that these issues should have been dealt with more effectively.

Leaders play a key role in determining consequences. As such, this contributed to the perception that Markets leaders specifically were not effective in sufficiently addressing inappropriate workplace behaviour and preventing repeat offences. Whilst staff do not have visibility of the actions taken or consequences applied to individuals, only 73% of Markets staff believe that consequences for behaving out of line with policies and values are appropriate. For example, only a little over half of the Markets Sydney

team believe that appropriate consequences are enforced when staff engage in misconduct.<sup>a, 9</sup> Staff reported that this situation resulted in diminished trust and confidence in Markets' standards of behaviour and the perceived value of speaking up. Additionally, only 70% of Markets staff believe that the input they provided in Oliver Wyman's survey would be acted upon to improve the organisation.<sup>10</sup>

Ultimately, there has been a loss of trust among Markets staff. Only 65% of Markets staff feel that senior leaders' actions align with their words.<sup>11</sup> This trust is notably lower in Australia where staff were closer to the Sydney dealing room behaviour; only 43% of Markets Australia staff believe that leaders 'walk the talk'.<sup>12</sup> Many of these staff also appear to have lost confidence in the effectiveness of risk governance and people management processes that rely on the capabilities of their leaders. Some Markets Australia staff do not believe leaders demonstrate personal accountability for managing risk and promoting sound risk behaviours, nor do they believe that their leaders effectively manage critical risks.<sup>b, 13</sup>

## 6. Markets leadership fell short on staff engagement and role modelling

Markets leaders are expected to play a key role in managing conduct, culture, and risk: both role modelling and reinforcing desired behaviours, and executing front office supervision responsibilities where applicable.<sup>c</sup> However, we have identified areas where Markets leaders did not consistently meet these expectations, including insufficient physical presence in the Sydney dealing room, mixed effectiveness in communication and engagement with staff, and some cases of not consistently role modelling the right behaviours.

A lack of on-the-ground presence in Sydney has hindered Market leaders' ability to effectively supervise certain areas of the Markets business and connect meaningfully with staff.<sup>d</sup> To a lesser extent, insufficient site-visits to and engagement with the offices outside Australia, New Zealand, and Singapore were also noted. Although there were senior Markets and enablement staff in Melbourne, there was insufficient presence in Sydney by Markets leaders or Talent and Culture. We believe the absence of senior leaders and enablement staff likely contributed to the emergence of inappropriate behaviours in the Sydney dealing room; numerous Markets leaders and staff shared similar perspectives with us. Markets has recently made significant changes to bolster the Sydney leadership presence through the addition of senior leaders and enablement partners.<sup>e</sup> In addition, the business has made changes to the seating arrangements on the dealing room floor to evenly distribute risk and compliance staff across the floor.

Markets staff based outside Australia, New Zealand and Singapore reported limited interaction with senior leadership beyond standard all-staff communications. While having senior leaders concentrated in key locations is necessary, regular communication and site visits will foster improved connectivity among senior leaders, junior leaders, and staff. More direct engagement by senior leaders with staff in the smaller Markets offices could help to reduce the cultural variability we observed.

<sup>a</sup> 52% of Markets Sydney staff believe that at ANZ there are appropriate consequences when people behave in a way that does not align with ANZ's policies and values.

<sup>b</sup> Only 71% of Markets Australia staff agree that leaders in their part of the business demonstrate personal accountability for managing risk and promoting sound risk behaviours and only 72% believe that leaders effectively manage the most critical business risks. These results are more pronounced than across Global Markets as a whole, where the figures are 81% and 83%, respectively.

<sup>c</sup> Refer to Section 3.2. Governance for further information on front office supervision. Behavioural expectations are primarily defined in the ANZ Behaviours and Global Markets Behaviours which collectively establish the standards Markets staff must embody and promote.

<sup>d</sup> About 15% of interviewees believe that the absence of senior leaders from the front line, T&C, and Risk, contributed to persistent inappropriate behaviour in the Sydney dealing room.

<sup>e</sup> This includes the Head of Markets Australia, Deputy Head of Markets Australia, Senior Talent and Culture Partner, and Head of Markets Risk who are all co-located in Sydney.

Additionally, concerns were raised about a perceived lack of communication and transparency from Markets leadership regarding critical topics such as strategic direction, resource allocation, FY24 remuneration outcomes, and the media attention surrounding the Markets Australia business. Interviewees consistently highlighted their frustration with the insufficient communication from Markets leaders regarding the Sydney dealing room matters. Furthermore, a material number of interviewees mentioned they believed that while Markets leaders have strong technical skills and a solid understanding of the business, they need to improve their people management skills. This includes their ability to manage difficult conversations, address inappropriate behaviour, and build meaningful connections with staff.

Finally, despite what we consider to be strong financial risk awareness and management across some Markets leaders, the role modelling of desired behaviours in relation to non-financial risk management varies. We observed instances in case studies and interviews where Markets staff at all levels of seniority did not consistently model the desired risk behaviours. For example, in one of the transactions we reviewed, senior staff did not ensure that they had enough visibility and did not urgently involve themselves upon learning that settlement failed. This meant that multiple red flags across the transaction were not connected to understand and manage the level of risk, ultimately resulting in a near miss.<sup>a</sup>

The shortcomings in engagement and role modelling by Markets leadership have likely contributed to the cultural variations we observed across the business. These issues also played a material role in the emergence of the misconduct discussed earlier, and have made it harder to rebuild staff morale and trust.

## 7. Some employee-related processes require improvement to operate effectively

Processes such as remuneration and management of misconduct play a significant role in fostering the desired culture and, when required, managing behaviour at odds with it. Ultimately, they provide guardrails and establish the organisation's expectation on staff conduct. Given the confidentiality associated with individual performance, remuneration and consequence outcomes, Oliver Wyman's ability to review the operating effectiveness of the key employee processes was limited. As such, our observations are largely focused on the design and general operation of these processes, rather than any specific examples. We identified areas for improvement in relation to the application of the remuneration and consequence management frameworks within Markets.

ANZ's remuneration processes establish clear expectations and standards for employee performance and are an important tool to incentivise the right behaviours. The Group's remuneration policies and processes place significant emphasis on risk, customer, people and culture, and financial outcomes.<sup>b</sup> Within Markets, these outcomes are weighted equally, which relative to industry norms implies a sufficiently high emphasis on non-financial matters.<sup>c</sup> However, some Markets leaders involved in remuneration decisions confirmed that they have primarily based their variable remuneration decisions on financial performance and given limited attention to behavioural, leadership, or risk outcomes, despite clear guidance and review processes. This deviation from documented processes compromises the effectiveness of performance

<sup>a</sup> As observed in Case A.

<sup>b</sup> The ANZBGL *Performance and Remuneration Policy* outlines *What* and *How* objectives that must be set by staff across financial, risk, customer, and people and culture outcomes. Financial objectives cannot exceed 30% in determining performance and remuneration outcomes for all roles other than certain Finance roles. The *Policy* also states that *Growth* objectives are set to support learning and development but are not formally assessed in determining performance outcomes.

<sup>c</sup> Each outcome type carries a 25% weighting. Extract provided by ANZ titled "Performance Management Requirements and Objective Setting".

assessment and remuneration in reinforcing the expected standards. It also underscores the existing perception among Markets staff that effective risk management is not recognised or rewarded.<sup>a, 14</sup>

Consequence management refers to the approach for investigating, assessing, and responding to reports of employee misconduct or non-compliance with ANZ's expectations. This includes determining disciplinary actions if required. Effective consequence management processes reinforce the importance of adhering to policies and procedures and help to mitigate risks by addressing undesirable behaviours and outcomes in a timely and structured manner. The Group has clearly defined policies and processes for escalating and managing workplace performance and unacceptable workplace behaviour. However, we observed opportunities to improve consequence management in Markets in three areas.

Firstly, Markets has an additional consequence management step which may result in the process differing to the Group-wide approach by only requiring Employee Relations engagement on more concerning allegations.<sup>b</sup> This creates the risk that leaders in Markets may not consistently treat conduct matters with the same weight, seriousness, and consequences as would be expected across the rest of the Group. This may partially explain why the reports of misconduct submitted by staff did not appear to lead to decisive action. Ensuring consistent involvement from Employee Relations in these matters would help align investigations and disciplinary decisions in Markets with the approach in the rest of the Group.

Secondly, there is currently no formal process in place to review employee behaviour after consequences have been delivered, which would help ensure that employee behaviour has changed, or identify if further intervention may be required. Introducing such a process would help ensure that behavioural interventions are effective.

Finally, where consequence management affects variable compensation, the decision on any reduction remains open until the year-end remuneration review, except for the Final Written Warning and Mandatory Learning outcomes which result in 100% reductions. This delay can result in significant time elapsing before a decision is reached, which introduces the risk of recency bias. As a result, less severe consequences may appear more appropriate for older cases, potentially undermining the fairness and effectiveness of the disciplinary actions taken.

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<sup>a</sup> Only 64% of Markets staff feel that people are incentivised to manage risk and are recognised or rewarded for good risk behaviour. 10% of interviewees feel that remuneration in Markets is still primarily driven by financial performance. This included front office staff across multiple levels of seniority as well as enablement staff.

<sup>b</sup> The line manager will recommend whether they believe the incident warrants a formal or an informal outcome. If an informal outcome is selected, the incident will follow an 'informal' pathway and ER will not be informed of the incident or outcome.

**Recommendations for improvement**

- Refine existing Institutional and Markets cultural (including risk culture) collateral to support consistent articulation of the culture for storytelling and engagement across the business; this should include clarity on the mindset shifts and behaviour change required to embed effective non-financial risk management
- Refine existing Institutional and Markets leadership standards, including explicit references to their role in effective non-financial risk management (including conduct matters) and provide additional training and skills development support to Markets leaders
- Embed leadership standards, culture and risk culture aspirations in employee processes including recruitment, onboarding, promotion, remuneration and enhance assessment processes to inform selection and development
- Improve the volume and quality of staff communication and engagement mechanism including leadership visits, emails and town hall communications
- Review Markets' adoption of Group behaviour investigation and remuneration processes, including the requirement to escalate all behavioural issues to ER
- Consider refinements to the Group consequence management processes, including a lookback within a defined period after consequences have been applied to ensure they have had the desired impact



## 3.2. Governance

A well-defined and embedded Three Lines of Defence model is an essential part of a bank's overall risk governance framework. The Markets model is well designed and forms an effective foundation but is not consistently executed as intended. In the first line, there are several issues. The role and mandate of Desk Risk Managers (Markets first line risk), have in practice expanded over time to take on responsibilities from both the front office and Risk. There have been failings of front office supervision responsibilities. Additionally, front office staff were not sufficiently involved in risk remediation activities, contributing to ambiguity about risk ownership and impacting their non-financial risk capability development. We also observed instances of the second line Risk function providing insufficient independent review and challenge of Markets activities related to non-financial risk.<sup>a</sup> The execution of the Three Lines of Defence model in Markets has led to non-financial risk management weaknesses and made it harder for Markets to develop consistent risk capabilities across the business.

The oversight governance model for the Group and Markets provides a solid framework for effective oversight, with the Board and management highly engaged. However, enhancing reporting to include meaningful insights and trend analysis would better empower the Board and management committees to engage in discussion and challenge.

### Key observations

1. The Markets Three Lines of Defence model is appropriately designed but is not consistently executed as intended, leading to non-financial risk management weaknesses
2. Over time, the mandate of the Desk Risk Management function has shifted from its original purpose, leading to decreased risk ownership and perceived accountability among Markets staff
3. Markets front office supervisors do not consistently perform their responsibilities, leading to instances of first line accountability failure
4. Markets front office staff have played a limited role in non-financial risk remediation activities, constraining their ability to improve their risk awareness and capability
5. There have been instances of insufficient second line independent review and challenge of Markets non-financial risk activities
6. Internal Audit's approach is generally sound, with some areas for refinement in approach and coverage
7. Markets risk governance oversight is appropriate; however, reporting could be improved to enhance management decision making and support the Board in executing their responsibilities.

### 1. The Markets Three Lines of Defence model is appropriately designed but is not consistently executed as intended, leading to non-financial risk management weaknesses

The Group's Three Lines of Defence (3LOD) model sets out the roles and responsibilities for managing risk and escalating risk issues. Day-to-day owners of risks and controls form the first line of defence; for Markets, this includes front office staff and risk teams who support the business in executing risk management activities.<sup>b</sup> These first line risk teams include the Markets Front Office Support and Governance (FOSG) team and the Business Governance and Controls (BG&C) team. The FOSG team, which includes Desk Risk Managers (DRMs), supports operational risk management and front office supervision.

<sup>a</sup> The risk management components of Oliver Wyman's review were predominantly focused on non-financial risk.

<sup>b</sup> ANZ's Three Lines of Defence model is set out in the Group's *Risk Management Strategy*.

The BG&C team supports control testing and assurance processes.<sup>a</sup> Second line, primarily the Risk function, designs core risk management frameworks, provides subject matter expertise and provides oversight through independent review and challenge of business activities.<sup>b</sup> Third line, Internal Audit, provides independent assurance through the review of select policies, procedures, events and incidents.<sup>c</sup>

The Markets 3LOD model is designed appropriately and it provides effective risk management oversight, while offering specialised support to the front office. However, over time, the execution of this model within Markets has resulted in lack of role clarity across first and second lines. This has diminished front line non-financial risk management accountability and has limited the degree to which front line staff could improve their non-financial risk capabilities.<sup>d</sup>

The following observations outline the specific challenges identified in the Markets 3LOD model which impact its operating effectiveness.

## **2. Over time, the mandate of the Markets Desk Risk Management function has shifted from its original purpose, leading to decreased risk ownership and perceived accountability among Markets staff**

The Markets DRM function is designed to support the business and front office supervisors in fulfilling their non-financial risk management responsibilities by providing advice and challenge. Their intended mandate is to support the Markets business in their ownership and execution of risk management roles, responsibilities, and accountabilities. The function's design serves a valuable purpose, equipping front office staff with specialist support, as well as improving the robustness of the control environment through additional challenge.

Markets staff shared they rely heavily on DRMs to perform their role; most interviewees indicated that they would reach out to their DRM immediately when faced with situations that involve grey areas or when they need assistance navigating risk management policies and frameworks. In this regard, the function operates as intended. However, many Markets staff and aligned functions perceive the DRMs as having a mandate that overlaps with responsibilities designated for front office staff, as well as other independent enablement functions like the Risk function and Talent and Culture.<sup>e</sup> We observed inconsistencies in the understanding of DRMs' roles across Markets. Some interviewees, including senior Markets staff, perceive DRMs to be risk owners. Discussions with DRMs revealed similar ambiguity regarding their roles, with some articulating their responsibilities in line with the formal definition of the DRM position, while others indicated a broader scope that included ownership of non-financial risk management or functioning in a commercial enablement capacity.

Many DRMs actively participate in daily risk management activities, leading some Markets staff to perceive them as risk owners. Interviewees shared examples of DRM involvement in activities including executing risk and control remediation activities and addressing interpersonal issues or serving as escalation points for concerns related to inappropriate workplace behaviour. At times, Markets staff also shared examples of the DRMs operating in a capacity more aligned to an independent Risk role, granting risk approvals, and reviewing and challenging risk management activities on behalf of the second line.

Aligning the DRM mandate with its original purpose and clearly communicating this to all Markets staff will ensure risk management activities are executed by the right teams across the Markets 3LOD. Ensuring

<sup>a</sup> The BG&C team is an Institutional Division team, with specialists in Markets Controls. ANZ Internal Review Report for the FX Court Enforceable Undertaking for the period of January 2020 to August 2021.

<sup>b</sup> Certain risk theme officers under the *NFR Framework* sit outside of the Risk function.

<sup>c</sup> ANZ's Three Lines of Defence model is set out in the Group's *Risk Management Strategy*.

<sup>d</sup> Lack of role clarity between first line front office staff, first line risk support functions, and second line Risk teams.

<sup>e</sup> Oliver Wyman interviews.

DRMs understand their responsibilities to engage with other enablement functions, such as Risk and Talent and Culture, will ensure these independent functions are appropriately engaged where required.

### **3. Markets front office supervisors do not consistently perform their responsibilities, leading to instances of first line accountability failure**

Front office supervision is essential for ensuring compliance with business standards, measured risk taking, and fair treatment of customers. These supervisory responsibilities are focused on staff whose actions could negatively impact the business and the effective operation of Markets, as well as those who have the potential to take on business risks.<sup>15</sup>

The *Markets Front Office Supervision Manual* clearly defines the expectations for front office supervision, including the scope, rules, principles, and responsibilities that supervisors must follow when managing and guiding front office staff.<sup>a</sup> However, around 30% of front office employees interviewed reported experiencing inadequate supervision that did not align with the principles outlined in the Manual. We observed gaps across several of the principles outlined in the Manual.<sup>b</sup> This discrepancy highlights a gap between established requirements and actual supervisory practices.

Multiple interviewees expressed concerns about their ability to perform the front office business activities asked of them, citing issues such as backfilling roles with less experienced staff or failing to backfill positions during leave or attrition. Markets staff across a few locations reported not knowing who their manager was. Some employees felt they were managing higher-risk or larger portfolios than their skills or capacity allowed, without the necessary additional oversight or support to handle these responsibilities effectively. Additional observations on gaps in effective supervision are set out in Section 3.1. People and Culture, relating to supervisors not identifying behavioural reg flags; failing to instil and foster a positive culture focused on compliance, risk, and controls; and not escalating misconduct or suspected breaches.

The Front Office Supervisor Dashboard is used to monitor supervisor compliance with applicable guidelines, obligations, and requirements.<sup>c</sup> Produced monthly, this dashboard presents metrics and annual trends for various revenue-generating activities, including credit limit and market risk breaches, as well as conduct metrics such as mandatory learning compliance and trading activity during block leave. However, it lacks metrics related to workplace behaviour, which would help supervisors identify behavioural red flags. The data is also only produced monthly which presents a challenge for supervisors to manage their direct reports' conduct and compliance. For example, certain metrics such as trading while on block leave, warrant more immediate escalation.

Effective front office supervision is critical for maintaining compliance with business standards and managing conduct risk. In a Markets business with highly manual controls, the business is relying on effective supervisors and supervisory tools to manage this risk.

### **4. Markets front office staff have played a limited role in non-financial risk remediation activities, constraining their ability to improve their risk awareness and capability**

First line risk ownership involves owning remediation processes, addressing problems that have emerged, as well as day-to-day risk-taking activity. Involving business risk owners and risk takers in remediation

<sup>a</sup> Front office Markets staff include Sales, Trading, Capital Markets, Balance Sheet and Structuring.

<sup>b</sup> Gaps apply to the principles for the following Conduct Rules: Control, Red flags, Delegation, Culture, and Escalation to relevant parties.

<sup>c</sup> Annual testing is conducted to ensure that supervisors are effectively using and reviewing the dashboards. It was last tested in June 2024, and the control was deemed to be 'effective'.

activities sends a powerful message to the broader business about the importance of risk ownership. This engagement also provides an opportunity to enhance risk awareness and capability among front line staff.

However, participation of Markets front office risk-takers in material Markets risk management improvement activities, including the CEUs and I.AM Amplified, has been limited. As mentioned above, the CEUs led to significant improvements in the Markets control environment. This work was primarily executed by the BG&C team, with limited participation by the risk owners themselves. Front office staff could have provided valuable business knowledge and operational insights to inform control design and assess efficacy, as well as deepening their own experience.<sup>a,16</sup> Similarly, the Front Office Support and Governance function is leading the I.AM Amplified adoption within Markets, and is responsible for implementing the adoption steps for each Risk Theme as well as for leading the scoping and delivery of new and enhanced controls.<sup>17</sup>

Whilst this approach is efficient, as programs are delivered by staff who have specialist skills and experience, it also limits the potential benefits gained by engaging front office staff, including improved risk awareness and capability. Reinforcing that effective risk management is the responsibility of the business will reduce the perception that it is the domain of first line risk support roles.

##### **5. There have been instances of insufficient second line independent review and challenge of Markets non-financial risk activities**

ANZ's Risk function has clearly defined responsibilities, including providing appropriate oversight and independent review and challenge over business activities, developing and maintaining the *Risk Management Framework*, and providing subject matter expertise on relevant policies and procedures to support consistent implementation.

Oliver Wyman identified several instances where risk governance practices could have been strengthened with further independent review and challenge prior to issues arising. For example, key Markets policies and control testing have not been consistently reviewed for operating effectiveness, despite these risks presenting 'extreme' inherent risk ratings.<sup>b</sup> While these areas may undergo first line assurance, any such review does not constitute independent review and challenge. During the BBSW and FX CEUs, Institutional Risk's control testing review scope was significantly reduced towards the end, with many controls no longer subject to review. This was despite the Independent Expert consistently identifying a materially greater number of deficiencies than ANZ and, in some instances, reopening deficiencies that had previously marked as closed.<sup>c,18</sup>

We also observed instances where Institutional Risk take on first line design or coordination activities, compromising their ability to provide independent review and challenge. For example, Institutional Risk was accountable for coordinating the Institutional Culture Plan program of work, measuring and monitoring progress towards the aspirational culture, and identifying actions to progress.<sup>d</sup> Given the scope

<sup>a</sup> The team's responsibilities included testing controls, managing and maintaining the Control Inventory, and re-assessing controls following the remediation of deficiencies.

<sup>b</sup> As observed in Case B, control testing for 'Extreme' inherent risks was not reviewed. The *Front Office Supervisor Manual* is not assessed by Institutional Risk to ensure front office supervisors are performing their responsibilities.

<sup>c</sup> In Phase 4 Year 1, second line reviewed and challenged all first line testing outcomes. In Phase 4 Years 2 and 3, second line prioritised their testing reviews based on the level of risk associated with controls, recurring areas of deficiencies, newly added controls, and recently remediated controls. Groups of controls that were no longer subject to second line review and challenge included: all existing Low EU Risk Scenario controls, all existing Medium and High EU Risk Scenario controls with no deficiencies identified in the previous year, some existing Medium EU Risk Scenario controls with deficiencies identified in the previous year, and any controls subject to third line validation.

<sup>d</sup> Under the Institutional Culture Plan (ICP), Institutional Risk was part of the ICP Project Management Office, which defined the ICP priorities.

of its role, Institutional Risk was unable to challenge the design of the program to meet its intended objectives.<sup>a</sup>

Institutional Risk takes a risk-based approach to conducting review and challenge, control testing, and reviewing activities for Institutional material risks.<sup>b</sup> The approach aims to ensure that significant risk areas are thoroughly reviewed, ensuring appropriate management of a subset of material risks. The focus of Institutional Risk's independent review and challenge has been largely related to implementation of the NFR Framework and the high-level design of remediation activities for the past two years. The *NFR Framework* does not specify consistent guardrails for risk-based review and challenge, providing limited guidance to Risk Officers and the business on where it is required.<sup>c</sup>

As such, there may be instances where certain activities may not be prioritised for review for an extended period of time. Supplementary guidance documents to support Risk Officers to execute these activities are currently under development. ANZ may also benefit from establishing minimum standards or periodic reviews to ensure appropriate coverage for specific activities, for example relating to controls associated with 'extreme' or 'high' risks. Implementing minimum requirements alongside a risk-based approach would ensure first line assurance is supplemented by strong independent review and challenge and allow the Divisional Risk teams and business areas flexibility in identifying areas requiring more robust review.

## **6. Internal Audit's approach is generally sound, with some areas for refinement in approach and coverage**

Internal Audit plays an important role in providing independent assurance of Markets activities. We observed evidence of Internal Audit reviewing key Markets activities, providing independent reporting with clear deficiencies noted.<sup>d</sup> Internal Audit employs a process to identify root causes for audit issues and applies a risk-based approach to ensure that these issues are remediated effectively; refer to Section 3.4. Tools and Processes, for further details. Oliver Wyman also observed evidence of continuous improvement through the integration of behavioural root causes into these assessments.

We observed instances where Internal Audit assumed a second line role where Institutional Risk was unable to do so based on their involvement in the design of risk and culture activities, for example during the Institutional Culture Plan as mentioned above. This limited their ability to effectively act as an independent assurance function.

We also observed aspects of the Markets risk governance infrastructure that have not been subject to Independent Audit review in recent years. This includes the approach to supervision, effectiveness of the 3LOD model (including the DRM model) and material culture change programs (as noted above). We acknowledge that in any given year there is fixed capacity for audit reviews and prioritisation is required. Notwithstanding this, given the importance of the areas above, we would have expected greater focus on their effectiveness.

<sup>a</sup> The "Institutional Culture Plan: and the role of Risk, T&C and Internal Audit" includes an Accountability Matrix defining the roles under the plan (October 2019).

<sup>b</sup> Institutional Risk prioritises thematic reviews based on a comprehensive set of internal and external risk data points, including residual risk ratings, risk events, audit issues, and key risk themes identified by external agencies, to reflect known areas of concern. It is also responsible for developing the *Group Judgemental Credit Policy*.

<sup>c</sup> Under the *NFR Framework*, Risk Officers are responsible and accountable for reviewing and challenging Divisional NFR management. Specifically, this includes review and challenge of the Division's: NFR profile, including activities and decisions that may affect it, to ensure risks and controls are being managed within Group and Division's risk appetite and risk theme guardrails; implementation of NFR Framework and NFR management maturity; and compliance with CPS 220 requirements relating to NFR.

<sup>d</sup> Oliver Wyman reviewed a sample of 23 Markets reviews performed by Internal Audit.

## 7. Markets' risk governance oversight is appropriate; however, reporting could be improved to enhance management decision making and support the Board in executing their responsibilities

The ANZ Board plays an active role in overseeing risk management, supported by committees that serve as a link between operational management and the Board, enabling timely escalation of issues, risks, and strategic initiatives to inform Board decisions.

The Board Risk Committee (BRC) assists the Board in discharging certain risk management obligations by overseeing the implementation and operation of the ANZ Group's *Risk Management Framework*.<sup>a</sup> Oliver Wyman did not observe the Board or BRC during routine meetings; however, interviews and engagement with Board members indicated their active involvement in overseeing non-financial risk management. They demonstrated a clear understanding of the need for sustained and embedded change. Additionally, a review of BRC papers and minutes confirms that they consider both financial and non-financial risk.<sup>b</sup>

The Markets Business Management Forum (MBMF) acts as the central body for managing risk within the Markets business, and is tasked with reviewing and addressing significant operational risk and compliance issues, misconduct mitigation activities and enhancing conduct risk maturity.<sup>c</sup> The MBMF has appropriate representation from the Markets Leadership Team and across the 3LOD; this diversity enables them to effectively oversee the Markets risk profile and encourages meaningful review and challenge. The MBMF is supplemented by risk-specific forums, country-specific forums and additional forums for high-risk or critical remediation work to ensure that there is appropriate focus on material risks and related remediation programs.<sup>d</sup> The MBMF is an effective governance forum, with appropriate membership and relevant matters tabled for discussion and decision.

Regular reporting is provided to the Board and management committees, but the effectiveness of this reporting could be improved to enhance oversight. The BRC receives routine, concise updates on Institutional and Markets-related programs, which include information on a core set of recurring financial and non-financial risk topics. Markets management committees, including the MBMF, receive extensive reporting that covers a wide range of risk information, such as risk indicators, events, complaints, incidents, audit issues, and the overall risk profile. However, while the reports provide an array of data and facts, they often lack the sort of comprehensive and actionable insights or relevant trends which are critical to bringing meaningful changes to the fore and enable effective oversight.<sup>e</sup> The absence of long-term trends, thematic presentations, and insightful analysis hinders members' ability to analyse patterns and identify specific risk management issues. This limitation makes it more challenging for committees to detect persistent concerns that may show temporary or periodic improvements but are not sustained or embedded, ultimately limiting the effectiveness of their oversight.<sup>f</sup>

<sup>a</sup> The Board charter also includes responsibilities relating to workplace health and safety and customers. The BRC charter identifies specific roles and responsibilities relating to areas such as: risk appetite, risk management strategy, risk reports from management, challenge of management, oversight of the Chief Risk Officer, and compliance with regulatory obligations and internal policies.

<sup>b</sup> Oliver Wyman reviewed a sample of approximately 30 BRC papers and minutes over a five-year time frame. These related to risk, risk culture, and culture uplift programs as well as specific risk events.

<sup>c</sup> Other purposes include oversight of the Markets investment portfolio and approving Markets-owned policies.

<sup>d</sup> For example, the Unauthorised Trading Forum, the Electronic Governance Forum, the Non-Financial Risk Transformation Steering Committee and the Markets BBSW/FX Steering Committee.

<sup>e</sup> Oliver Wyman reviewed a sample of BRC and MBMF papers and minutes. Only one MBMF paper from November 2024 included consideration of themes across near misses and rapid recoveries 'for noting'.

As an example, the BRC was presented with multiple updates relating to the Markets Culture Plan and the CEUs, describing progress towards culture and risk culture aspirations. However, the updates did not provide insight or rationale on how they had determined progress was being made towards improving risk culture or risk outcomes, limiting the BRC's ability to understand decisions made by Markets management or to determine appropriate actions.

<sup>f</sup> As observed in Case B, the pattern of control failure was not identified by the Global Surveillance Governance Forum as the reporting only covered a three-month period.

Regular and insight-driven reporting enhances the Board and management committees' ability to make informed decisions based on a comprehensive understanding of the organisation's risk landscape. It allows them to identify emerging risks, recognise patterns, and anticipate future challenges more effectively. While the Board and committees can, and do, perform their roles based on the information provided, the current approach to reporting presents a missed opportunity to focus on key insights and enrich their discussion of the data. Refining the existing reporting with valuable insights, trend analysis, and contextual information will facilitate more effective oversight and meaningful challenge rather than data interpretation.

#### Recommendations for improvement

- Clarify Markets 3LOD model and provide communication and training to embed the changes, ensuring teams have appropriate capacity and capability. This includes:
  - Roles and responsibilities and the boundaries of the Front Office, DRM, FOSG, and BG&C roles
  - Scope of Institutional Risk review, including guidance on the risk-based approach, minimum standards, and any required changes to the *Non-Financial Risk Framework* RACI
  - Consider refining Internal Audit root cause approach, and coverage across Markets business activities
- Consider refining the approach for Markets non-financial risk and culture change program governance with front office representation engagement in oversight and delivery roles
- Refine the front office supervision framework, including refreshing the manual, enhancing supervision data and metrics, supervisor training, refining the supervisor effectiveness assessment, completing a post-implementation review post changes to assess its operating effectiveness
- Refine governance forum reporting to consistently include thematic insights and trend analysis, root cause remediation tracking, and other metrics and thematics related to workplace behaviour including ER issues

### 3.3. Policies and frameworks

Markets has a comprehensive suite of risk policies and frameworks effectively designed to guide risk management and operations. We believe these are appropriate for an organisation of ANZ's size, business mix, and complexity, covering all required policies and material risk types.

While thorough, some of the current policy documentation suffers from inconsistency and complexity, making it challenging for employees to navigate and apply these policies as intended. This can result in inconsistent application. Simplifying and clarifying current policies will enable Markets staff to independently and confidently operate within established guardrails, without the need to rely on support functions in a way that diminishes their own risk ownership. Similarly, Markets' approach to setting and managing to its risk appetite is appropriate and within the Group's limits, although there are opportunities to make incremental improvements to the framework's usefulness.

#### Key observations

1. Policies and frameworks are for the most part designed effectively, with clear roles and responsibilities defined across the Three Lines of Defence
2. Some policies are inconsistent and difficult to navigate, leading to varying application and the business not consistently operating within the intended bounds
3. Markets sets its risk appetite within the Group's limits, but could enhance the design with clear metric thresholds and actions pathways as these thresholds are approached

#### 1. Policies and frameworks are for the most part designed effectively, with clear roles and responsibilities defined across the Three Lines of Defence

The key risk governance policies and frameworks are appropriate for an organisation of ANZ's size, business mix, and complexity, covering all required policies and material risk types. The *Risk Management Strategy* clearly sets out the organisational and risk governance structure, detailing roles and responsibilities under the Three Lines of Defence (3LOD) model.<sup>a</sup> It also outlines the approach to managing material risks, the relevant policies, and the methods used to assess and embed risk culture.

The *Non-Financial Risk Framework (NFR Framework)* outlines the Group's non-financial risk (NFR) management lifecycle, including appropriate detail on the context, defining key terms, summarising procedure steps with examples, and establishing minimum standards for execution.<sup>b</sup> It sets out the roles of the first and second line functions throughout the risk management lifecycle, providing step-by-step information on accountabilities and responsibilities.<sup>c</sup>

Group-wide policies are in place for all material risks, clearly defining roles and responsibilities across the 3LOD, in line with the *Risk Management Strategy*. These are supplemented by additional policies and guidelines specific to Markets activities, such as the *Derivative Credit Policy* and the *Material Size Transaction Management Guidelines*. Markets policies, such as the *Capital Markets Issuance and Bond*

<sup>a</sup> See Section 3.2. Governance for further information on the 3LOD roles and responsibilities.

<sup>b</sup> The *NFR Framework* is governed by the *Non-Financial Risk Policy* and covers the end-to-end risk management lifecycle from setting risk management guardrails to identifying, managing, and monitoring risks to governing and overseeing risk management.

<sup>c</sup> The *NFR Framework* also specifies which roles are Responsible, Accountable, Consulted, and Informed for each activity.



*Underwriting Procedure*, appropriately outline the roles involved in different transactions and identify the required approvers in Markets and Markets Risk for various transaction types in each region.

Despite the clarity of the 3LOD roles in formal policies and frameworks, their execution is inconsistent, reducing the overall effectiveness of the risk governance infrastructure. See Section 3.2. Governance for further information on this topic.

## **2. Some policies are inconsistent and difficult to navigate, leading to varying application and the business not consistently operating within the intended bounds**

While policies are designed effectively, it is important that they can be used consistently for them to operate as intended. Certain policies do not clearly define relevant details, resulting in varying interpretations of applicable requirements.<sup>a</sup> Oliver Wyman observed instances where pertinent terms were not defined, or the process steps required were not fully explained. This was also seen in relation to the *NFR Framework*, which is not by itself clear on when Risk needs to be engaged in certain Markets activities, requiring users to navigate a hierarchy of additional documents. This distribution of expectations across documents creates a risk that the policies are not executed as intended. See Section 3.2. Governance for more details on the role of Risk under the *NFR Framework*. In some cases, conflicts arise between Group-wide policies and Division- or Function-specific policies for the same process. For example, Markets policies define different escalation processes for cases of unacceptable behaviour to those defined in Group-wide policies.<sup>b</sup> See Section 3.1. People and culture for more details on the application of employee-related processes in Markets.

As such, front office staff place a heavy reliance on support functions to interpret policies. Most Markets interviewees indicated they rely on support functions such as Desk Risk Managers (DRMs) to interpret policies or verify their own interpretations. See Section 3.2. Governance for more details on the role of the Markets DRMs. In some instances, the ambiguities in Group and Markets policies resulted in staff not applying policies as intended, reducing the overall effectiveness of an otherwise well-designed framework.<sup>c</sup>

## **3. Markets sets its risk appetite within the Group's limits, but could enhance the design with clear metric thresholds and actions pathways as these thresholds are approached**

The *Group Risk Appetite Statement* is cascaded to Markets through the *Institutional Risk Appetite Statement*, ensuring that risk-taking in Markets aligns with the Board's defined appetite. Markets defines its appetite through the *Markets Risk Appetite Statement*. There is clear traceability between the different hierarchies of risk appetite statement.<sup>d</sup>

<sup>a</sup> As referred to in Section 3.1. People and culture, there are variations in how official communications convey cultural and behavioural expectations. Until recently, product management policies did not clearly define changes in product presentation, reducing clarity on when formal product variation processes apply. In Case A, policies and processes did not provide sufficient clarity to: confirm that delegation of operational authority does not override escalation requirements, define funds and trusts, and set out work flows for performing pre-deal checks, determining pricing and settlement structures, and escalating settlement issues. This contributed to the failure of the transaction. In another example, the Risk Culture Assessment framework does not provide explicit guidance on weighting the different Risk Culture Principles, leading to ambiguity in aggregating these principles to determine a Divisional risk culture maturity rating. See Section 3.3. Tools and processes for further detail.

<sup>b</sup> Group-wide Employee Relations (ER) policies mandate that all cases of unacceptable behaviour be escalated to T&C, regardless of perceived seriousness, whereas the *Markets Incident Management Framework* only requires escalation for certain cases. See Section 3.1. People and culture for further information on the *Markets Incident Management Framework*.

<sup>c</sup> For example, in Case A, there was a failure to follow the required process, including obtaining the necessary approvals.

<sup>d</sup> The Group RAS articulates the Board-approved risk appetite, including quantitative tolerances for material risks and specific risk indicators. It also outlines the processes for setting, monitoring, and reviewing the risk appetite. The Institutional RAS specifies the

The *Markets Risk Appetite Statement* defines specific metrics and thresholds for Markets risks at the business unit level. Some metrics, such as those relating to Market Risk, are cascaded directly from the *Institutional RAS*. Others are unique to Markets, such as credit concentration and credit portfolio quality.<sup>a</sup> The *Markets RAS* clearly defines appetite statements with corresponding quantitative metrics and thresholds.

Regular risk metric monitoring is critical to ensure the business consistently operates within risk appetite, allowing management to take timely action if metrics approach thresholds. The *RAS Dashboard*, presented monthly in the Markets Business Management Forum (MBMF), provides the Markets Leadership Team with regular visibility of Markets' risk exposure using red, amber, and green indicators for each metric. However, the *Markets Risk Appetite Statement* lacks defined thresholds for each colour status and does not provide clear guidance on the necessary escalation or actions when metrics near thresholds. While some policies, such as the *Limit Setting, Delegation, and Controls* procedure for traded market risk metrics, outline notification and escalation protocols as metrics approach certain thresholds, not all risk types have a form of early warning.

As a result, Markets leadership do not have consistent visibility of how closely the business's risk profile aligns with appetite, or a common view on the appropriate level of action required to address potential issues. This could be addressed by including thresholds for each metric status and what action is required as they are approached.

#### Recommendations for improvement

- Review policies for consistency across the Group and Institutional or Markets-specific documentation, including cultural aspirations, Employee Relations policies, and the Markets Incident Management Framework
- Review Group and Markets policies to ensure all pertinent details are defined, including product management requirements, the Markets Customer Suitability Framework and the Capital Markets Issuance and Underwriting Procedure
- Consider implementing metric thresholds for each metric status and escalation and action planning requirements for the Markets Risk Appetite Statement, with accountable owners

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Division-specific risk appetite, cascading relevant metrics from the Group RAS with Divisional thresholds, such as customer concentration metrics for wholesale credit risk. It also includes metrics developed for the Division, including business unit limit breaches.

<sup>a</sup> Markets risks include capital usage and performance, liquidity and funding, earnings volatility, business mix, credit concentrations, credit portfolio quality, market risk, and operational risks.

### 3.4. Tools and processes

The Markets business has made significant progress in evolving its risk infrastructure, particularly since the FX and BBSW CEUs. However, while the risk tools and processes in place are appropriate, there is more work to be done to ensure they are used consistently and effectively.

The control framework is well-designed to mitigate key risks; however, the highly manual control landscape is not sufficiently supported by key processes to prevent control failings. Limitations in the quality of control testing and independent oversight may contribute to an overly optimistic perception of how effectively risks are managed. Similarly, ANZ's tools for measuring risk culture are soundly designed but there are opportunities for refinement to ensure they are producing accurate results.

Markets has a strong track record of rapid response to operational risk events; however, this does not always translate into effective monitoring and remediation of issues. The absence of an end-to-end view of key processes exacerbates these gaps, limiting the business's ability to identify or remediate interrelated risks. Greater emphasis on controls verification processes and systematically embedding lessons learnt across the business will enhance the overall effectiveness of Markets' risk management framework.

While this report identifies a number of shortcomings, we also acknowledge that Markets has made significant improvements in recent years to improve culture, conduct, and risk governance. Initiatives such as I.AM Amplified, the Markets Culture Uplift Program, and the FX and BBSW CEU Programs illustrate that significant change is achievable when there is a strong focus and commitment.

#### Key observations

1. ANZ's risk identification and assessment processes are designed appropriately, and the *Non-Financial Risk Framework* has supported the identification of a material number of new risks
2. The business does not take an end-to-end view of operations, limiting the identification of related risks
3. The control framework is well-designed to mitigate key risks; however, the highly manual environment, coupled with insufficient testing rigour and second line oversight, increases the risk of control failures
4. Operational incidents and issues are appropriately escalated and well managed, with material risk events addressed swiftly
5. There is insufficient investigation and remediation of root causes to prevent recurrence of issues
6. Systematic reviews for broader issues and application of both internal and external 'lessons learnt' across the business areas are not consistently performed, limiting continuous risk management improvements
7. ANZ's risk culture assessment framework is soundly designed and evaluates employee perceptions and objective outcomes, but it can be refined to better identify underlying weaknesses

## 1. ANZ's risk identification and assessment processes are designed appropriately, and the *Non-Financial Risk Framework* has supported the identification of a material number of new risks

### Non-financial risk management

ANZ's *Non-Financial Risk Framework (NFR Framework)* outlines the process for managing non-financial risk, including identifying non-financial risks that may impact the business, developing suitable controls, assessing residual risk, and monitoring the overall risk profile.<sup>a</sup> The approach is designed effectively, enabling the identification of a breadth of risks, while ensuring they are appropriately managed with robust controls on an ongoing basis.

The risk identification step includes thorough consideration of risks relating to both internal and external factors that influence the business environment, ensuring a diverse range of sources are considered.<sup>b</sup> The control step focuses on identifying relevant controls and testing their effectiveness against identified risks. The assessment step considers the impact of the controls on the risks and determines whether this aligns with risk appetite or if further mitigation is required. The monitoring step develops metrics to track risk exposure, providing a continuous understanding of the risk profile and allowing for timely action when necessary.

These processes are designed effectively, including all relevant steps and clearly outlining specific expectations. Mapping obligations, risks and controls through the *NFR Framework* implementation has improved Markets' visibility of its non-financial risk profile and supported the identification of new risks and control gaps; the scoping and delivery of remediation activities is underway.<sup>c</sup> Effectively addressing the identified gaps will significantly strengthen Markets' non-financial risk management efforts.

### Financial risk management

Markets actively manages financial risks, including market risk, credit risk, and counterparty credit risk, through well-defined policies and limit frameworks.

Markets sets limits for traded market risk using the risk limit framework, ensuring that risk-taking activities align with risk appetite. The framework delegates limits to staff, ensuring that more material activities are undertaken by more senior staff. The *Limit Setting, Delegation and Controls* procedure establishes clear guidelines on how limits should be assigned at appropriate levels.<sup>d</sup> Each desk maintains its own limit schedule, which outlines specific Value at Risk, loss, and detailed control limits.<sup>e</sup> As such, senior staff are appropriately empowered with greater accountability for financial risk-taking, whilst ensuring that risks remain within acceptable thresholds.

The *Derivative Credit Policy* outlines the principles for managing derivative counterparty credit risk. The Markets XVA desk actively monitors credit concentration and the quality of the credit portfolio within defined limits, providing strong oversight of credit-related risks.

The financial risk management processes provide Markets with a strong understanding of its risk profile and there are appropriate structures in place to ensure the business operates within risk appetite and in line with its strategic objectives.

<sup>a</sup> See Section 3.3. Policies and Frameworks for further detail on the *NFR Framework*.

<sup>b</sup> This step involves identifying applicable risks, determining the factors that could lead to risk occurrences, and articulating their potential impacts.

<sup>c</sup> To date, Markets has identified 61 areas for further improvement in the control environment across 17 unique Level 2 Risks.

<sup>d</sup> The *Limit Setting, Delegation and Controls* procedure governs limit setting and the delegation of authority.

<sup>e</sup> Oliver Wyman reviewed the Limit Schedule for the G10 Currency business.

## 2. The business does not take an end-to-end view of operations, limiting the identification of related risks

A business with the risk profile, operational complexity and global footprint of the Markets business should ensure appropriate visibility of key processes from start to finish, minimising the potential for gaps in its risk identification process. Markets activities depend on effective collaboration among various teams across different geographies and functions. Appropriate oversight of the end-to-end process helps prevent control gaps and process failures during handoffs between distributed teams. Individuals involved in these cross-team or business processes must understand the interdependencies to recognise the implications of their decisions on other parts of the business and identify potential risks that may arise.

Oliver Wyman observed multiple instances in which the implications of certain decisions or issues were not adequately considered, resulting in poor risk outcomes. In one example, during a control remediation, there was no escalation to other teams who may have been affected by the control failure type. This limited the ability of the business or Group to consider whether similar issues were present more broadly.<sup>a</sup> In another case, the distribution of a Markets product had implications for credit risk exposure and product terms in other areas of the Group; this resulted in different credit terms being offered to customers than originally intended.<sup>b</sup> In another example, insufficient communication among teams during the investor onboarding for a transaction led to the acceptance of a customer outside the organisation's risk appetite.<sup>c</sup> Additionally, Markets and staff in enablement functions shared that they observe elements of siloed operations within Markets, highlighting the ongoing need to reinforce this capability and mindset shift within the business.<sup>d</sup>

Institutional's inflight CPS 230 high-impact process mapping will support building this capability in Markets. Markets leaders can encourage the required mindset shift through sharing lessons learnt and role modelling this broader perspective with their teams.

## 3. The control framework is well-designed to mitigate key risks; however, the highly manual environment, coupled with insufficient testing rigour and second line oversight, increases the risk of control failures

### Control environment

The Group's control management framework effectively defines processes for designing, operating, testing, and monitoring controls.<sup>e</sup> Our review of the design of key control processes and critical Markets-specific controls, including surveillance controls and material-sized transaction controls, found no material design weaknesses. Although we have not conducted a detailed mapping of the Markets' obligations, risks, and controls landscape, the existing Control Library shows adequate coverage of key Markets non-financial risks.

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<sup>a</sup> As observed in Case B. A control was rendered ineffective on multiple occasions due to changes to the upstream data feed, resulting in a gap in trade surveillance for several months. Although the issue was remediated, the team who identified it failed to escalate the control failure to other teams that may have relied on the control or where data ingestion may have been used in a similar way.

<sup>b</sup> As observed in Case D. A Markets product was distributed to certain clients, resulting in favourable credit assessment for products in other areas of the Group. The downstream impact of the assessment led to the Group offering different credit terms to customers than originally intended. Following escalation of the issue, the distribution of the product was discontinued for certain customer segments.

<sup>c</sup> As observed in Case A. In a past transaction, multiple teams were involved in onboarding a new investor. However, despite potential risks being indicated during the onboarding, there was limited communication between teams to ensure that these risks were fully factored into the decision-making process.

<sup>d</sup> Oliver Wyman interviews.

<sup>e</sup> The *Control Management Procedures* define the processes to design, operate, test and monitor controls.

However, Markets has a significant reliance on manual controls. Only about 8% of its control environment is partly or fully automated, compared to approximately 12% across the Group.<sup>a,19</sup> This level of automation is lower than we would have expected for an organisation of ANZ's size, business mix, and complexity. Multiple reviews have recommended greater automation and ANZ have stated it as their preference.<sup>b</sup> Given this focus, we would expect a mechanism to provide more rigorous challenge for new controls such that automated solutions are prioritised over more manual alternatives. However, limited automation persists, and we did not observe any structural or design processes to systemically encourage its adoption.<sup>c,20</sup> While manual controls can be effective, they require robust monitoring and oversight to ensure their consistent and reliable operation.

### Control design and testing

Markets is an operationally intensive business where the current reliance on manual controls requires robust design and testing. This rigour is critical for Markets management to confidently assess the business's residual risk profile; any gaps in control design and monitoring processes undermine the accuracy of that profile. However, consistent with multiple internal and external reviews, we observed insufficient rigour in Markets' control design and testing, which has led to control failures and unintended risk outcomes.

ANZ has noted several instances of ineffective Markets control design, highlighting that controls often lack the necessary robustness.<sup>d</sup> Oliver Wyman observed an example where a control failed due to data gaps, and was then remediated without measures to ensure data completeness. After further remediation, the controls were deemed 'effective', despite acknowledged weaknesses in the reconciliation processes which ensure data completeness and accuracy.<sup>e</sup>

Markets controls have not been tested with an appropriate level of rigour to identify control weaknesses; for example, the CEU Independent Expert identified nearly double the number of deficiencies compared to ANZ's internal control testing.<sup>f, 21</sup> The CEU Independent Expert also identified multiple instances where controls testing lacked the requisite depth and precision to be effective.<sup>g, 22</sup> Oliver Wyman identified limitations in the control sample testing approach; in one instance, the procedure overlooked a control that failed over multiple months by relying on only three samples from a single month. This narrow sampling hindered the timely identification of the control failure, highlighting the need for a more robust testing methodology that considers what period would need to be tested to identify control failures.<sup>h</sup>

<sup>a</sup> Non-financial risk controls. Partly or fully automated refers to the Automated, Semi-automated, and Automated/IT Control classifications.

<sup>b</sup> The *NFR Framework* states that automation is ANZ's control design preference and should be considered when identifying controls that could be optimised. 'Largely manual controls' identified as an I.AM problem statement in the *NFR Transformation Outcomes Framework* (August 2023).

<sup>c</sup> During the control uplift exercise for the FX and BBSW CEU programmes, the Independent Expert recommended an increase in the automation of controls across both Programs in all three reviews in Phase 4. Despite these recommendations, only five out of over 100 developed controls were automated.

<sup>d</sup> ANZ's 2023 *Internal Review Report* for the FX CEU program acknowledged that "while further steps have been taken during the year to increase the sustainability of some controls, observations were made about gaps in those automation processes".

<sup>e</sup> As observed in Case B.

<sup>f</sup> The number of deficiencies identified by the Independent Expert across both Programs was approximately 20% greater than the number identified by ANZ in Phase 3. In Phase 4, the Independent Expert consistently identified more than double the number of deficiencies ANZ had self-identified.

<sup>g</sup> The Independent Expert noted "A need for greater level of understanding of the automated elements and corresponding depth and precision of testing of these elements before concluding on the effectiveness of the controls".

<sup>h</sup> As observed in Case B.

## Independent oversight

Risk is responsible for review and challenge of the control environment; however, the level of challenge provided does not consistently ensure the effectiveness of the Markets control environment.<sup>a</sup> Refer to Section 3.2. Governance for further detail on Risk's review and challenge of controls.

As a result, failures of manual controls have contributed to material risk events in some instances. For example, Oliver Wyman observed an incident where the control to ensure customer suitability assessments are performed was rendered ineffective, potentially allowing a transaction with an unassessed investor to proceed to settlement.<sup>b</sup> Multiple audit reviews have identified audit issues related to manual controls, which could lead to further risk events.<sup>c,23</sup>

Refining the approach to control design and testing and providing greater guidance specific to automated controls would enhance the robustness of the control environment and minimise the risk of control failures and any associated risk events.

## 4. Operational incidents and issues are appropriately escalated and well managed, with material risk events addressed swiftly

ANZ's event and issue management procedures are designed appropriately, providing structured processes for monitoring, communicating, and reporting risk events and issues.<sup>d</sup> Interviews with Markets staff and aligned enablement functions indicated that the prompt escalation and remediation of operational incidents is a distinct strength within the Markets business. This agility reflects a key advantage of the collaborative culture within Markets, even in high-pressure situations.

Risk events are reported to the Markets Business Management Forum (MBMF), with more significant events escalated to the Group Operational Risk Executive Committee (OREC) and, in some cases, the Board Risk Committee (BRC).<sup>e</sup> These processes require investigation of drivers and root causes following an event, as well as consideration of impacts on other business units.

We observed appropriate escalation and timely remediation for material Markets risk events. For example, in an instance when Markets encountered substantial and unintended credit risk from a transaction, senior stakeholders were quickly engaged. The transaction was promptly reversed to mitigate potential loss, and reported to relevant forums. To ensure the appropriateness of these actions, stakeholders from various Group functions were engaged.<sup>f</sup> In another instance, when concerns arose regarding a potentially inappropriate product strategy, the issue was recorded in the *NFR Hub* on the same day. This issue was escalated to senior Risk stakeholders, and swift action was taken to cease sales of the product to certain

<sup>a</sup> The *NFR Framework* defines responsibility and accountability. Specifically, the Risk Officer is responsible and accountable for reviewing and challenging their Division's NFR management. The Risk Theme Officer is responsible and accountable for monitoring the Risk Theme profile.

<sup>b</sup> As observed in Case A. The 'Customer Suitability Exception Identification & Management' control generated an exception report for transactions lacking a Customer Suitability Assessment. If counterparty IDs were not entered into the system when the counterparty record was created, they were excluded from the report.

<sup>c</sup> Oliver Wyman reviewed a sample of audit reviews performed by Internal Audit. Issues identified included manual processes for limit monitoring and report production; omission of pricing curves from the Observability Matrix to monitor the observability of Rates, FX and Commodity prices; and the highly manual communication monitoring for Markets participation in certain chatrooms.

<sup>d</sup> The *Event Management Procedures* define roles and responsibilities for key activities including event identification, escalation, impact and compliance assessment, remediation, monitoring, and reporting. The *Issue Management Procedure* then outlines the process for addressing issues that require remediation, including developing, implementing, and monitoring the remediation plan. Breaches and behavioural issues are managed through the *Markets Incident Management Framework*.

<sup>e</sup> Events that have a financial, reputational, compliance, or customer impact classified as 'High' or 'Extreme' are reported to OREC. Where events result in an actual financial net loss exceeding \$15 million, they will be reported to the BRC.

<sup>f</sup> As observed in Case A.

customer groups while the matter was under investigation.<sup>a</sup> The Markets approach to event and issue management is designed and operating effectively, with evidence the business responds appropriately to operational issues and events.

## 5. There is insufficient investigation and remediation of root causes to prevent recurrence of issues

Root cause analysis is a vital part of an organisation's event management process which, when performed effectively, enables the business to identify and address underlying issues, prevent recurrence of similar issues, improve processes, and strengthen overall resilience.

Oliver Wyman observed that detailed post-event reviews were conducted for each incident to understand the context and drivers of the issues.<sup>b</sup> However, there was limited evidence that involved teams and governance forums thoroughly examined or effectively addressed root causes.<sup>c,24</sup> A more thorough examination of the root causes could have driven improvements in control testing capabilities and heightened risk awareness within Markets. Oliver Wyman noted multiple instances following risk events where meetings presented lessons learned without accompanying root cause investigations or outlining necessary follow-up actions.<sup>d,25</sup> Additionally, a second line review found that "50% of the events sampled illustrated a lack of evidence captured in *NFR Hub* to evidence the Root Cause Analysis was complete or performed to sufficient depth".<sup>e</sup>

Remediation activities are not also consistently addressed or tracked to closure. Root causes are addressed through issue remediation tasks. However, issues can be closed either once all remediation tasks are completed, or once sufficient progress has been made to bring the risk or impact within appetite.<sup>f</sup> As a result, root cause remediation activities may be closed off without the underlying issue being addressed. Where remediation plans to address root causes are discussed at the MBMF, progress in addressing them is not explicitly tracked to ensure that tasks are completed such that no further issues will arise.

Group Internal Audit's review process captures root cause categories for all audit issues, including high-level causes like "ineffective roles and responsibilities" and "governance failure".<sup>g</sup> While this approach provides consistency, it lacks the necessary detail to identify similar trends or generate actionable insights and introduces the risk that specific root causes are not remediated effectively through a lack of tailored remediation. Audit issue remediation plans are designed to tackle any identified root causes, and Internal Audit conducts validation on a risk-based sample of these; however, by nature, this does not cover the full

<sup>a</sup> As observed in Case D.

<sup>b</sup> These covered different risks such as credit risk, conduct risk, and customer risk across Cases A, B, and D.

<sup>c</sup> For example, the Independent Expert consistently identified a significantly higher number of deficiencies compared to ANZ's internal processes. The underlying causes were not explored, and only minimal action was taken to resolve the issues. Although the Steering Committee and the Credit and Markets Risk Committee were made aware of these discrepancies, there is no evidence that the drivers of these differences were discussed or why the disparity persisted for multiple years. The Steering Committee was informed on at least two occasions, in November 2021 and December 2022. The CMRC was informed on at least one occasion in June 2022.

<sup>d</sup> As observed in Case D. The MBMF paper only commented on control weaknesses rather than root causes. The MPC paper outlined key observations as part of the remediation action overview but did not reflect on any root causes. The 'What are the learnings' section of the IRMC paper refers to inflight actions to address learnings from the event but does not discuss these learnings in depth or link them to root causes.

<sup>e</sup> Institutional Risk performed a post adoption review of Events Management under the *NFR Framework*.

<sup>f</sup> If the issue is closed but there are outstanding remediation activities, it will be marked as 'closed incomplete'.

<sup>g</sup> Group Internal Audit's review process captures root causes, outlines actions to address them, and validates the completion of audit actions. The root cause categories are selected from the *Cause Taxonomy*, which is part of the *Non-Financial Risk Taxonomy*, and sets out five L1 causes (employees, process failure, external, systems and data) and about 34 applicable L2 causes. Detailed root cause analysis is also performed for repeat issues, issues rated '3' or '4', and control weaknesses that may result in high or extreme levels of residual risk respectively.



suite of root causes identified. This review process is well-structured and ensures the completion of audit actions, yet it does not explicitly validate whether the root causes have been adequately addressed.<sup>a</sup>

Group Internal Audit launched a Test and Learn initiative to integrate behavioural root causes into their existing root cause analysis; this has been part of their methodology since October 2024.<sup>26</sup> However, we did not observe consistent reporting and discussion of audit-identified root causes, whether behavioural or otherwise, within Markets governance forums.

Ineffective execution of root cause analysis makes it harder for the Markets business to identify the underlying drivers of incidents, leading to superficial remediation and increasing the risk of recurring issues. Without adequate remediation, governance forums will not have certainty the issues are truly remediated and will not re-emerge. Greater discipline in interrogating and tracking root causes will ensure they are appropriately addressed.

## **6. Systematic reviews for broader issues and application of both internal and external ‘lessons learnt’ across the business areas are not consistently performed, limiting continuous risk management improvements**

Lessons learnt refer to the insights gained from past experiences that help improve future practices. Analysing lessons learnt after risk events allows the business to learn from mistakes, ultimately reducing the likelihood of similar incidents occurring again. Markets’ current approach to retrospective reviews is typically confined to specific events, with minimal consideration of potential thematic issues across the business or wider Division. This narrow focus misses opportunities to identify related risk governance and cultural weaknesses and hinders proactive risk management practices.

Oliver Wyman did not observe this broader review in the case studies examined. For example, when a control dependent on external data feeds failed, the investigation was limited to similar controls and did not consider data completeness and accuracy checks across the wider control environment, contributing to a subsequent control failure.<sup>b</sup> Remediation conducted under the CEU programs was largely treated in isolation, with repeated deficiencies not framed as systemic issues.<sup>c,27</sup> For example, controls needing further automation were treated as isolated weaknesses, with minimal recognition of the need for a systematic approach to automate all applicable controls. In another instance, reporting on a material risk event to multiple forums included limited analysis of lessons learnt and their application to the broader business context.<sup>d,28</sup>

Employee Relations, T&C and Markets lack a structured process to identify systemic concerns, with data only considered on an ad-hoc basis, hindering proactive management of behaviour.<sup>e</sup> Despite data on

<sup>a</sup> Internal Audit validate all audit issues rated 3 and 4, and a minimum of 25% of 2-rated issues. Oliver Wyman reviewed a sample of three validations performed by Internal Audit on Markets audit issues.

<sup>b</sup> As observed in Case B. Once the Global Surveillance Governance Forum (GSGF) identified the control issue, they reviewed the trade surveillance control environment to uncover other dependencies on external data feeds that had not produced alerts for extended periods. However, they did not conduct a comprehensive review of data completeness and accuracy checks.

<sup>c</sup> In Phase 4 Year 1, the Independent Expert recommended that ANZ pursue continued automation of the *Control Inventory* across both the FX and BBSW Programs, with specific key controls identified for automation. In Phase 4 Year 2, ANZ automated two key FX controls but no key BBSW controls. Again, the Independent Expert recommended further automation across both Programs. In Phase 4 Year 3, ANZ automated two key BBSW controls but no key FX controls (despite the Independent Expert identifying a candidate FX control for automation the previous year).

<sup>d</sup> As observed in Case D. Based on reporting to the Markets Business Management Forum, Markets Product Committee, and the Institutional Risk Management Committee.

<sup>e</sup> Data on behavioural incidents is collected from three key sources: the Markets IMF, ER, and the Whistleblower channels. Under the Markets IMF, trend analysis is performed in the IMF Forum but “informal” concerns are not reported elsewhere. As such, ER does not have visibility of these cases. Further, the ER function does not routinely conduct analysis on cases across the ER and Whistleblower channels; while this analysis may be conducted on an ad-hoc basis, it is not regularly reported to management.

behavioural incidents being recorded by the functions, there is no cross-channel aggregation of this data within Markets to enable identification of common trends or drivers. Together, this limits ER, T&C, and the business's ability to recognise behavioural patterns or identify employees involved in multiple lower-severity issues. It also limits the business's ability to identify recurring challenges, or to support managers in responding to emerging issues more effectively.

Governance forums play an important role in ensuring insights are synthesised, shared more widely and action taken. Whilst we observed evidence that management forums discuss lessons learnt after implementing post event remediation action, there is limited evidence to suggest that these discussions consistently lead to actionable outcomes with defined owners. Oliver Wyman observed several instances where Markets governance forums failed to translate the lessons learnt into actionable steps that could improve risk management in other relevant areas of the business.<sup>a</sup>

The narrow focus of retrospective reviews hinders the business from identifying thematic challenges that may reveal broader areas for improvement. When lessons learnt are identified, action is not consistently pursued to completion, resulting in missed opportunities for meaningful improvement and risk mitigation. These reviews also play a critical role to illustrate to front office staff the importance of effective risk management, enhancing risk awareness and capability across a population not typically engaged in remediation activities.<sup>b</sup> A refined approach that brings together thematically aligned but discrete data would allow the business to recognise similar issues, or identify the extent to which the challenge is localised or present more broadly. This could include enhancing the approach to sharing lessons learnt within the MBMF to include tracking of subsequent actions to drive accountability with Markets to apply these across the business.

## **7. ANZ's risk culture assessment framework is soundly designed and evaluates employee perceptions and objective outcomes, but it can be refined to better identify underlying weaknesses**

An effective risk culture assessment framework enables the Board and management to form an accurate view on the Group's risk culture. The Group's framework is generally well designed, considering both employee sentiment and objective risk outcomes, but it can be refined to better identify underlying weaknesses.

The Group uses its Risk Culture Survey to contribute to its view on the risk culture. However, the Markets results from the most recent ANZ Risk Culture Survey presented a more favourable outlook to management and the Board than the perspectives shared with Oliver Wyman. For example, Markets staff responses to Oliver Wyman's survey questions related to risk management resourcing, appropriate consequences for inappropriate behaviour, and fear of reprisals for speaking up were 17 to 20 percentage points lower.<sup>c</sup> Moreover, some staff expressed scepticism about the accuracy of the internal survey. The discrepancy between survey responses may stem from a perception among Markets staff that more favourable survey outcomes could positively influence individual remuneration outcomes, due to a

<sup>a</sup> In Case B, the GSGF reviewed the trade surveillance control environment to ensure that other controls could not run without first receiving external data feeds. They also investigated trade surveillance controls with no alerts for extended periods of time. However, they did not trigger an assessment of the presence and effectiveness of data completeness and accuracy checks more broadly across the control environment.

In Case D, papers were submitted to the MBMF, the Markets Product Committee (MPC), and the Institutional Risk Management Committee (IRMC). However, there was limited analysis of root causes and lessons learned. The MBMF paper only commented on control weaknesses rather than root causes (12 September 2024). The MPC paper outlined key observations as part of the remediation action overview but did not reflect on any root causes (October 2024). The 'What are the learnings' section of the IRMC paper refers to inflight actions to address learnings from the event but does not discuss these learnings in depth or link them to root causes (19 November 2024).

<sup>b</sup> See Section 3.2. Governance for details on the approach to risk remediation activities within Markets.

<sup>c</sup> Refer to the Appendix for an analysis of differences in results for questions used in both surveys.

perceived link between these results and the Group Performance Dividend (GPD).<sup>a,29</sup> Other potential drivers may include question wording changes, survey timing, sampling, data cleaning, and perceptions of confidentiality of results.

ANZ's risk culture assessment framework is intended to provide an accurate evaluation of the enterprise risk culture. ANZ's approach incorporates a degree of subjectivity at various stages of the assessment process. This subjectivity allows for data to be aggregated in multiple ways, such that poor results for a given indicator may or may not end up having a material impact on the overall assessment, which could obscure inconsistencies within the risk culture.<sup>b</sup> Whilst some degree of subjectivity is anticipated during the review and challenge process, the use of subjectivity at various stages of the assessment may indicate that the risk culture metrics are not properly calibrated to indicate the underlying risk culture of the business. If the metrics do not present a picture consistent with the perspectives of management, they may need to be refined or recalibrated to produce more useful signals.

#### Recommendations for improvement:

- Refine approach to control design and testing, including providing greater guidance for automated controls, ensuring teams have appropriate skills and capability, and providing refresher training
- Consider implementing a Markets controls Design Authority to provide advice and challenge for the planned controls change exercises
- Progress and finalise high impact process mapping across Markets to provide an end-to-end view of operations across product lines **(inflight under CPS 230 program)**
- Refine approach to root cause remediation including reviewing the requirements to close remediation, considering review and challenge processes and performing a look-back across certain closed issues
- Enhance processes for applying and communicating lessons learnt across Markets, with a mechanism to record and track actions
- Consider providing greater guidance on the aggregation of information for the risk culture assessment

<sup>a</sup> The GPD is a component of variable remuneration for eligible staff and considers performance against the Group Scorecard. The FY25 Group Scorecard included an objective to "maintain sound risk culture".

<sup>b</sup> There is no defined process to aggregate different Risk Culture Principles and Divisions/functions.

## 4. Root causes

Oliver Wyman has identified five root causes that we believe contributed to both the emergence and persistence of the shortcomings discussed in this report. Addressing these issues is essential to prevent the re-emergence of similar problems in future. The root causes identified are:

1. Markets leadership shortcomings with regard to the importance and ownership of non-financial risk management (including conduct risk) that has resulted in a lack of effective embedding of these responsibilities across the business
2. Inconsistent execution of first and second line non-financial risk management activities by the appropriate functions, leading to unclear risk ownership and insufficient independent review and challenge
3. A tendency to view issues as isolated and overlook dependencies or systemic concerns, impacting Market's ability to identify broader risks requiring holistic remediation
4. A focus on execution that drives action, but centres on implementing activities rather than driving towards outcomes to embed change and reduce risk
5. A variable Markets culture that was not always strong enough to constrain inappropriate behaviour

Previous independent reviews and ANZ's Risk Governance Self-Assessments have highlighted themes similar to several of those identified here, underscoring their persistence and the importance of comprehensively addressing them.<sup>a</sup>

Addressing each of these root causes will require a shift in mindset, behaviours, and, in some instances, the supporting infrastructure.

### **Root cause 1. Markets leadership shortcomings with regard to the importance and ownership of non-financial risk management (including conduct risk) that has resulted in a lack of effective embedding of these responsibilities across the business**

Although Markets leaders have stressed the need for effective non-financial risk management, they have not consistently taken action to embed the expected behaviours into their teams. This is evident from the widespread perception that they have not 'walked the talk' in relation to conduct risk management. We believe that this has contributed to a slower adoption of the required non-financial risk management mindsets and behaviours in Markets than should have been the case.

As highlighted in Section 3.1. People and Culture, staff believe that Markets leadership did not take timely action to address the reported issues of poor conduct. As a result, only 65% of Markets staff say they believe that senior leaders' actions align with their statements.<sup>30</sup> When leaders do not consistently act to address behaviour out of line with the Group's stated conduct expectations or role model appropriate and effective oversight, they undermine their credibility and communicate to employees that the organisation's conduct expectations are open to interpretation rather than being absolute requirements.

Based on our discussion with Markets leaders and feedback from colleagues, we do not believe they have consistently demonstrated a high level of understanding and ownership of non-financial risk management. For example, some Markets leaders indicated they do not use the remuneration framework as intended. This framework is meant to hold staff accountable for non-financial risk issues, in addition to other matters

<sup>a</sup> These reports include the RGSA, as well as reports by Internal Audit, Promontory and APRA.

unrelated to financial outcomes. Additionally, some leaders indicated a belief that risk ownership in Markets sat with Desk Risk Managers.<sup>a</sup>

As a consequence of these factors, many staff members believe there is not a strong incentive to promote risk management. This makes it less likely that staff will develop and adopt Institutional's desired non-financial risk management capabilities and behaviours, and embed these into their day-to-day work.<sup>b,31</sup> Unless addressed, this dynamic will likely obstruct ANZ's efforts to improve non-financial risk management in Markets.

This creates an imperative for leaders in Markets to change their behaviours, mindset, and capabilities in relation to non-financial risk and integrate it more tightly and effectively into the way they lead. Equipping leaders with the right tools and training is essential. This capability enhancement can be achieved through better use of existing ANZ training and development resources, along with specific and tailored support for leaders in key roles. Such support will ensure that leaders possess the necessary skills to effectively lead, inspire, and drive change across the organisation, including risk management awareness, interpersonal skills and cultural context.

## **Root cause 2. Inconsistent execution of first and second line non-financial risk management activities by the appropriate functions, leading to unclear risk ownership and insufficient independent review and challenge**

First and second line activities related to risk management are not consistently executed by the appropriate functions, leading to unclear risk ownership and insufficient independent review and challenge.<sup>c</sup> This inconsistency has sometimes resulted in critical non-financial risk management activities not being performed by those closest to the risks (the business) or with sufficient and consistent independent oversight from the second line. As discussed in 3.2. Governance we believe the challenge here lies in the way the Three Lines of Defence model is executed, not in its design.

In many cases, front office risk-takers were not recognised as the ultimate risk owners, relying heavily on first line risk teams for essential tasks such as supervision, intervention in inappropriate workplace behaviour, and risk change initiatives. There was also a lack of clarity regarding the role of first line risk support teams; some employees viewed Desk Risk Managers (DRMs) as risk owners, while others saw them as responsible for independent review and challenge.

There are opportunities for Risk to play a greater role in independent review and challenge. Oliver Wyman identified several instances where risk governance practices could have been strengthened prior to issues arising with further independent review and challenge.<sup>d</sup> Additionally, when Risk engages in first line design or coordination activities, it compromises their ability to provide independent oversight.<sup>e</sup>

When the distinctions between first line and second line are not where they should be in practice, the effectiveness of both execution and the review and challenge processes is significantly diminished. Effective risk management is predicated on clear accountability and ownership within the business, complemented by appropriate and timely challenge from Risk to promote continuous improvement.

<sup>a</sup> Refer to Section 3.1. People and culture for further detail on operating effectiveness of remuneration and performance management policies in Markets. Refer to Section 3.2. Governance for an explanation of staff perceptions of the DRM role.

<sup>b</sup> Only 63% of Institutional staff and 64% of Markets staff believe that people are incentivised to manage risk and are recognised and rewarded for good risk behaviours.

<sup>c</sup> Refer to Section 3.2. Governance for further detail on the imbalance in roles and responsibilities across the first and second line.

<sup>d</sup> Refer to Section 3.2. Governance for further detail on instances of insufficient independent review and challenge.

<sup>e</sup> Given their scope of role, Institutional Risk were unable to challenge the design of the Markets Culture Plan to meet its intended objectives.

Although the design of the Markets Three Lines of Defence model is sound, there is a pressing need for greater clarity and consistent execution of roles and responsibilities across these functions.

**Root cause 3. A tendency to view issues as isolated and overlook dependencies or systemic concerns, impacting Market's ability to identify broader risks requiring holistic remediation**

Issues within Markets are often viewed as isolated rather than as symptoms of deeper issues; as such, there can be insufficient probing for underlying issues when things go wrong. As a result, potentially similar or consistent weaknesses go undetected and unresolved. On a day-to-day basis, some staff show a limited wider consideration of how their individual role fits into the broader business processes.

While Markets has an established practice of investigating operational incident root causes, there is no consistent thematic review of root causes across all incidents and issues. This means that the same underlying issues, such as limitations in control testing, have contributed to multiple risk events.<sup>a</sup> Risk management tools and processes are designed to capture lessons learnt, and some instances show Markets lessons learnt being applied locally. However, we did not observe evidence to suggest these processes are being used to their full potential within Markets.<sup>b</sup>

The case studies and interviews we conducted indicated that some Markets staff take a narrow view of their role and accountabilities, which can allow risks to go unidentified or persist.<sup>c</sup> Multiple instances indicate staff are highly focused on their own remit in business operations, and do not consistently contemplate the dependencies of their actions and decisions. Several operational incidents have been observed where staff did not sufficiently consider the impact of their decisions and actions, leading to knock-on impacts such as control failures and operating beyond tolerance. As a result, the business is exposed to greater risk than appreciated.<sup>d</sup>

Consequently, opportunities to identify risks are missed, and subsequent remediation activities do not consistently address the underlying drivers. A fundamental shift in mindset is needed within Markets, transitioning from a perspective that is willing to views issues as isolated, to one that always questions what general lessons need to be learned from risk events. This could mean including mindsets and behaviour shifts into Markets culture narratives to support leaders and staff in communicating the target state aspiration. This new approach should encourage curiosity into whether issues are applicable in other areas or have the potential to be relevant elsewhere before deciding on a course of action. An end-to-end view of operations can support this shift, as will oversight and direction from leaders and governance forums to drive the necessary change.

**Root cause 4. A focus on execution that drives action, but centres on implementing activities rather than driving towards outcomes to embed change and reduce risk**

As observed in Section 3.1. People and culture, the Markets culture's emphasis on productivity drives action. However, it does not consistently ensure that initiatives are designed to achieve their intended objectives or that their impacts are monitored effectively.<sup>e</sup> When reporting primarily focuses on delivery of tasks as opposed to impact, it sends a signal to staff and management about what is considered important.

<sup>a</sup> Refer to Section 3.4. Tools and processes for details on control testing limitations.

<sup>b</sup> Refer to Section 3.2. Governance and Section 3.4. Tools and processes for details on the effectiveness of Markets lessons learnt and root cause remediation.

<sup>c</sup> Refer to Section 3.4. Tools and processes for further detail on instances where staff demonstrated a narrow view of their roles.

<sup>d</sup> Refer to Section 3.4. Tools and processes for details on a lack of end-end view of operations.

<sup>e</sup> Refer to Section 3.1. People and culture for further detail on the focus on execution and results in the Markets culture.

This approach can lead to an emphasis on the fastest path to compliance, rather than the goal being to sustainably embed changes that reduce the risk the program is intended to address.

Markets' reporting on interventions and change programs places greater emphasis on delivery status rather than progress against established outcome measures. Multiple material change programs were deemed successful based on execution metrics or when future work has been identified and scoped, rather than when the intended risk governance uplift or cultural change had been achieved.<sup>a</sup> Under the Group's *Cause Taxonomy*, root causes can be considered closed when risk has been reduced but are only partially remediated.<sup>b</sup> This approach can contribute to a culture characterised by a prolonged backlog of work that remains partially complete or partially remediated, rather than fully resolved. Under the I.AM Amplified implementation guidelines, control gaps do not need to be remediated and controls do not need to be operating effectively before the central program is considered 'done'.<sup>c,32</sup> This was also observed in the execution of consequence management processes, where the intervention is deemed complete when the consequence is delivered, but fails to include follow up to ensure the intervention has achieved the intended behavioural change. This approach limits management's ability to assess effectiveness of the change intervention and course-correct if required.

For any future remediation work to be impactful, success measures should be tied to the outcomes the business is seeking. For example, when considering the 'Day 2' backlog, this could include metrics like changes to the residual risk profile through enhanced controls or relative proportion of the control landscape that is automated. Measuring progress through impact will allow Markets to assess whether initiatives are effective and course correct as required. This would also drive more effective change management and non-financial risk ownership within Markets.

#### **Root cause 5. A variable Markets culture that was not always strong enough to constrain inappropriate behaviour**

The cultural experience within Markets is largely positive but also variable. Staff do not have a consistent and aligned definition of the Markets culture, and experience the culture in a highly localised manner, strongly influenced by local leadership and peers. Given the geographical footprint and structure of the Markets business, this often manifests as sub-cultures specific to the individual's desk.<sup>d</sup> As discussed in Section 3.1. People and culture, the intensity of Institutional's culture is mixed. This means it is not always strong enough to compel staff to operate in line with its norms, which was one of the drivers of the conduct issues observed within Markets.

A strong organisational culture serves to align and constrain behaviours, effectively reinforcing expectations that limit deviations from the norm. To strengthen the culture, Institutional needs to communicate standards clearly and consistently and establish a strong set of leadership expectations, ensuring leaders actively model the desired cultural attributes. Additionally, implementing effective reinforcement mechanisms, such as acknowledgement, incentives, and consequences for behaviours, along with appropriate communication materials, is crucial for embedding these cultural standards. Given the diversity and breadth of Markets' operations, the business should intentionally drive consistency using such tools to avoid perpetuating cultural variability which would significantly limit the effectiveness of any future culture program.

<sup>a</sup> For example, the primary metric used to manage and monitor the CEU programs was the number of deficiencies. In the I.AM Amplified program, measures referenced in the Executive Summary of Steering Committee papers and Quarterly Targets related to delivery status, such as scheduling, budget, resourcing, delivery risk, and completed tasks.

<sup>b</sup> If the issue is closed but there are outstanding remediation activities, it will be marked as 'closed incomplete' under the *NFR Framework*.

<sup>c</sup> Refer to Section 5. I.AM Amplified for further detail on the program's "Definition of Done".

<sup>d</sup> Given the global nature of the Markets business, most teams in each location have under 10 employees. This number is far smaller in branch locations.

## 5. I.AM Amplified

I.AM Amplified is a Group-wide non-financial risk uplift program that has been ongoing since 2020. In 2022, ANZ placed a renewed focus on the program with additional Executive sponsorship and a revised delivery approach. Through this review, we considered the extent to which the I.AM Amplified program (the Program) is likely to remediate the issues identified in Markets, and if not, why not. This included analysis of the original I.AM Amplified problem statements, objectives, project charter, and recent documents related to the Program's delivery and governance in Markets.

The Program's objective is to implement a Group-wide non-financial risk (NFR) management system to improve obligations and control management. This was to address problem statements including inconsistent NFR management practices, reliance on manual controls, a lack of guidance in areas of risk management, poor data quality, lack of clarity on roles and responsibilities across the Three Lines of Defence (3LOD), and risk management capability gaps across the first and second lines of defence.<sup>33</sup> The initiatives in scope for the current phase of the Program relate to implementing an improved NFR framework, operating model and governance, and associated risk and compliance system. While some of these problem statements will be resolved through the Program, many will rely on the Group's next phase of NFR work, planned to commence in mid-2025 (further details below).

Group Risk is responsible for delivering the *NFR Framework* through 16 "Risk Themes". Institutional is responsible for leading the adoption and overseeing progress across the Division, and Markets is then responsible for adopting these within the business unit. The adoption process includes identification of risks, applying controls, and assessing residual risk. As part of this process, risk remediation activities have been identified for the Markets business, including addressing control weaknesses and control gaps. The Definition of Done for the program is met when each Risk Theme is live and has been adopted for each Division, as well as ongoing capability being in place.<sup>34</sup> This does not require the NFR framework to be embedded and operating effectively, or for any remediation activities identified through the adoption to be completed.

Markets has developed a "Day 2" backlog of activities, including developing and implementing new controls, to address areas for improvement. This backlog largely consists of technical solutions to specific issues, including: the development of new controls and changes to existing controls to meet enhanced Control Objectives; automation of specific manual controls and processes; updates to specific policies and procedures; improvements to data governance for certain data; and targeted training. To date, Markets has identified 61 areas for further improvement in the control environment. However, this work is not governed by the Program and will be completed by the first line risk support teams.

While there are similarities between the challenges and gaps identified through this review and the Program's initial problem statements, most issues identified through our review are unique to Markets and will not be directly addressed as they fall outside the Program's scope. Some are anticipated to be addressed through the Group's Enterprise Non-Financial Risk Program (see below); others will need to be addressed through additional programs of work.

Some of our observations on Markets relate to culture and conduct outcomes including perceived tolerance of inappropriate workplace behaviour, leadership effectiveness, and operating effectiveness of existing frameworks and controls. However, we would not typically expect such a non-financial risk program (focused on framework implementation and reporting) to address the longer-term outcomes of embedding cultural and risk principles, such as fostering a speak-up culture, promoting appropriate workplace behaviour, or monitoring leadership behaviours. These should be considered outcome measures in the subsequent Markets and Enterprise NFR program of work.

Other shortcomings we observed relate to how Markets has applied and embedded Group standards. The Program was not designed to directly address improvements related to Markets' risk governance



infrastructure. For instance, while the Program establishes standards for the 3LOD, Markets observations relate to the distribution and execution of roles between Markets front office staff and first line risk support teams. Addressing these specific observations will require a more tailored approach, that goes beyond the current mandate of the Program to improve NFR management consistently across the Group.

The Group is designing a comprehensive Enterprise NFR Program to build on the foundations established by the Program and CPS 230 uplift. The goal of this work is to consistently embed non-financial risk management practices, address underlying root causes and achieve a sustainable target state across all Divisions and Functions.<sup>35</sup> The draft plan covers frameworks and governance, Three Line of Defence, risk culture, systems and data, operational resilience including process value chains, and a focus on culture, capability and consequence management processes.<sup>a</sup> Although we have not reviewed the detailed program plans or the underlying initiatives, the draft program demonstrates comprehensive coverage of the essential components expected in a program aimed at embedding non-financial risk management. Defining clear outcome measures in terms of effective and embedded NFR management, aligned to the impact the Group and Markets is seeking to achieve, will be critical to addressing some of the underlying Markets shortcomings.

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<sup>a</sup> Other requirements identified include: leaders role modelling behaviours; ongoing learning to sustain and improve capability; risk built into reward, recognition and performance; and, risk built into decision-making via advanced analytics and insights.

## 6. Group-wide applicability

Oliver Wyman's review focused specifically on culture and risk governance within the Markets and Institutional Division and covered Group-wide policies and procedures only where these were relevant to our focus area in Markets. All findings in this report are therefore specific to the Markets business, or the Institutional Division where specified. However, our scope of work also required us to form an assessment on the potential for any identified gaps or weaknesses in risk governance identified in Markets to be present across other parts of the Group, with reference to data and documents from other parts of the Group.

To this end, we conducted a high-level assessment of data and documents from ANZ's Retail Division to determine if there were any indicators suggesting that the themes identified within the Markets could also be relevant outside Markets. The Retail Division was selected as the next largest Division after Institutional. Documents reviewed included risk events, incidents, breaches, CPS 220 attestations, risk culture self-assessments, Internal Audit reports, Employee Relations data and My Voice and Risk Culture survey results.

We observed many indicators, both positive and negative, of the operating effectiveness of the risk governance infrastructure in the Retail Division that were similar to those observed in Markets. As such, we anticipate a reasonable degree of likelihood that some of the root causes and risk governance shortcomings identified in the Markets may also be found elsewhere within the Group. However, it is important to note that the nature of our review, which was driven by summary documents and data without the inclusion of interviews, tools and process assessments, or independent surveys, does not provide definitive evidence of specific gaps or their nature.

While we have not specifically assessed ANZ's risk remediation plans for areas outside of Institutional, we understand that management is considering how such shortcomings and root causes could be addressed across the Group through the Enterprise NFR Program.

Given the findings, we recommend that ANZ either conduct a further detailed assessment of whether the gaps identified in Markets are present elsewhere and/or operate on the assumption they are and apply appropriate remediation on a Group-wide basis, tailored to the specific businesses within each Division or Function.

## 7. Recommendations

This section contains the recommendations to address the Markets issues identified throughout the report, with additional guidance for consideration. However, we suggest prioritising the following initiatives to significantly enhance risk management in Markets:

- **Leadership:** Clarify and reinforce Markets leadership standards to align leaders' actions with the desired culture and conduct to drive improved outcomes. Support leaders to effectively communicate and embed risk, culture, and behavioural expectations through practices such as storytelling and role modelling.
- **First and Second Line of Defence:** Refresh Markets' articulation of how its governance model should work in practice to create distinct and differentiated roles for Markets front office, Markets first line risk (especially the Desk Risk Managers), and Risk to improve consistency in risk governance execution and independent challenge.
- **Front office supervision:** Ensure that expectations for supervisors are clearly articulated, reinforced, and monitored. Enhancing the tools and data available to supervisors will empower them to fulfil these responsibilities more effectively.

Throughout our engagement, we observed strong focus and attention from Markets leaders looking to improve the business's non-financial risk practices. As Markets commits to addressing the issues identified in this report, the primary challenge will be to embed these changes in a sustainable and consistent manner throughout the business. Markets must ensure that the approach to culture and risk governance remediation is one that drives accountability for outcomes and demonstrates incremental risk and culture improvement. This will ensure that the improvements in culture and risk governance become the standard way of working.

**Table 1: Full list of recommendations and guidance for consideration**

Recommendations	Additional guidance for consideration
<b>3.1. People and culture</b>	
1. Refine existing Institutional and Markets cultural (including risk culture) collateral to support consistent articulation of the culture for storytelling and engagement across the business; this should include clarity on the mindset shifts and behaviour change required to embed effective non-financial risk management	A. Refresh the Institutional and Markets aspirational cultures with a clear articulation of how they align to ANZ's aspirational culture, values, purpose and expected behaviours
	B. Refresh the Institutional and Markets risk culture narratives with a clear articulation of how they align to ANZ's aspirational risk culture and Risk Principles, and the required mindsets and behaviour shifts to achieve the target state
	C. Cascade refreshed culture and risk culture aspirations to all staff through training, communications
2. Refine existing Institutional and Markets leadership standards, including explicit references to their role in effective non-financial risk management (including conduct matters) and provide additional training and skills development support to Markets leaders	A. Update Markets culture and risk culture artefacts to support leadership narrative and storytelling, this should include the required mindsets, and behaviour shifts that will need to occur. These artefacts should be specific and clear allowing the business and leaders to know what good looks like
	B. Refine Markets leadership standards, including the <i>Front Office Supervision Manual</i>
	C. Consider performing leadership capability diagnostics for Markets senior leaders to inform the design and delivery of personalised leadership development plans

Recommendations	Additional guidance for consideration
	<p>D. Consider making leadership capability training and feedback tools mandatory for Markets leaders to increase participation in line with the Group</p> <hr/> <p>E. Integrate formal upward and downward feedback into leaders' performance assessments, leveraging existing tools such as Leadership 180, Leader 360, and Team Health Check</p>
<p>3. Embed leadership standards, culture and risk culture aspirations in employee processes including recruitment, onboarding, promotion, remuneration and enhance assessment processes to inform selection and development</p>	<p>A. Embed and explicitly reference leadership standards, culture and risk culture expectations in talent management policies and procedures</p> <hr/> <p>B. Enhance recruitment processes for senior Markets roles to support assessment against leadership culture and standards; this may include developing interview guides and specific assessment criteria</p>
<p>4. Improve the volume and quality of staff communication and engagement mechanism including leadership visits, emails and town hall communications</p>	<p>A. Provide timely leadership communication to reinforce culture and risk culture priorities; for example, leader updates should also highlight positive examples of non-financial performance</p>
<p>5. Review Markets' adoption of Group behaviour investigation and remuneration processes, including the requirement to escalate all behavioural issues to ER</p>	<p>A. Increase the level of centralisation and review and challenge by Talent and Culture in the Markets remuneration process to align policy expectations with execution</p> <hr/> <p>B. Consider mandating formal ER investigations for cases with allegations of confidentiality breaches, recrimination or retribution; this process should be managed independently of Markets business leaders</p>
<p>6. Consider refinements to the Group consequence management processes, including a lookback within a defined period after consequences have been applied to ensure they have had the desired impact</p>	<p>A. Align the <i>Markets Incident Management Framework</i> with Group policy by mandating that all cases of misconduct and inappropriate behaviour in Markets are escalated to T&amp;C and ER to create Group-level visibility of inappropriate workplace behaviour matters irrespective of severity</p> <hr/> <p>B. Consider expanding the Markets IMF members to include additional representatives from the Markets front office</p> <hr/> <p>C. Consider an indicative determination of variable compensation impacts at the time of consequences are determined to mitigate recency bias in process</p> <hr/> <p>D. Aggregate and analyse data from across <i>Incident Management Framework</i>, ER, and Whistleblower channels to create visibility of trends and drivers of unacceptable behaviour</p> <hr/> <p>E. Use trends and drivers to inform proactive management of potential or actual hotspots, such as: notifications and training for managers and proactive training to larger audiences on cultural drivers of misconduct</p> <hr/> <p>F. Consider incorporating retrospective reviews into ER case management processes to ensure that cases are not closed until the behaviour change has been achieved</p>
<h3>3.2. Governance</h3>	
<p>1. Clarify Markets 3LOD model and provide communication and training to embed the changes, ensuring teams have appropriate capacity and capability</p>	<p>A. Clarify roles and responsibilities, and the boundaries of the Front Office, DRM, FOSG, and BG&amp;C roles</p> <hr/> <p>B. Finalise the detailed design of the Institutional second line "risk-based review and challenge" approach under the <i>NFR Framework</i> guidance and process documents (currently inflight)</p>

Recommendations	Additional guidance for consideration
	<p>C. Consider implementing minimum standards for periodic independent second line review and challenge of critical controls that may fall outside of “risk-based thematic reviews”</p> <hr/> <p>D. Consider whether changes to the <i>NFR Framework</i> RACI model across the risk management lifecycle is required to include explicit guidance on where second line engagement is required as well as the nature of the engagement (for example, thematic, all critical controls, etc.)</p> <hr/> <p>E. Following the above recommendations, consider capability and capacity requirements across Markets first line (including DRM, FOSG, BG&amp;C teams) and Institutional Risk teams to execute risk management responsibilities</p> <hr/> <p>F. Deliver communication and training across Markets first line and Institutional Risk to implement and embed these changes, this should include boundaries and minimum expectations of each role, expected escalation pathways for operational and conduct related matters, and enablement function engagement</p> <hr/> <p>G. Consider refining Internal Audit root cause approach, and coverage across Markets business activities</p>
<p>2. Consider refining the approach for Markets non-financial risk and culture change program governance with front office representation engagement in oversight and delivery roles</p>	<p>A. Consider Markets front office staff, not front office support functions, as accountable owners for relevant workstreams</p> <hr/> <p>B. Include Markets business representation in program steering or governance committees to drive ownership and accountability with first line teams</p> <hr/> <p>C. This approach should also be considered for the Institutional and/or Markets delivery of the Enterprise NFR Transformation program</p>
<p>3. Refine the front office supervision framework, including refreshing the manual, enhancing supervision data and metrics, supervisor training, refining the supervisor effectiveness assessment, completing a post-implementation review post changes to assess its operating effectiveness</p>	<p>A. Refresh the <i>Front Office Supervision Manual</i> to align with FMSB best practice (currently in flight)</p> <hr/> <p>B. Consider enhancements to the current approach to front office supervision data and metrics; this could include aligning with FMSB best practice and increasing the frequency of data provided to supervisors</p> <hr/> <p>C. Consider refining the current approach to assess Markets supervisors’ effectiveness beyond the approach in the <i>Markets Incident Management Framework</i>; this could include periodic assessment of supervisors against <i>Front Office Supervision Manual</i> principles</p> <hr/> <p>D. Complete a post-implementation review, conducted by Institutional Risk or Internal Audit, once changes to the <i>Front Office Supervision Manual</i> are implemented</p>
<p>4. Refine governance forum reporting to consistently include thematic insights and trend analysis, root cause remediation tracking, and other metrics and thematics related to workplace behaviour including ER issues</p>	<p>A. Refine Board reporting to consistently include thematic insights and trend analysis to support enriched discussion and challenge of the risk profile</p> <hr/> <p>B. Refine MBMF reporting to include:</p> <ol style="list-style-type: none"> <li>i. Thematic insights and trend analysis to support improved challenge of the risk profile</li> <li>ii. Markets root cause remediation tracking of issues identified Internal Audit and other and independent reviews</li> <li>iii. Other metrics and thematics related to workplace behaviour including Employee Relations issues</li> </ol>

Recommendations	Additional guidance for consideration
<b>3.3. Policies and frameworks</b>	
1. Review policies for consistency across the Group and Institutional or Markets-specific documentation, including cultural aspirations, Employee Relations policies, and the Markets Incident Management Framework	<p>A. Review the following policies for consistency in the definition, structure, and interrelation of cultural and behavioural expectations across Group-, Institutional-, and Markets-specific documents:</p> <ul style="list-style-type: none"> <li>i. ANZ ICARE Values</li> <li>ii. ANZ Behaviours</li> <li>iii. Risk Principles</li> <li>iv. Institutional Culture Plan</li> <li>v. Institutional Aspirational Culture</li> <li>vi. Markets Culture Plan</li> <li>vii. Markets Aspirational Culture</li> <li>viii. Markets Culture Plan</li> <li>ix. Group-wide Employee Relations policies</li> <li>x. Markets Incident Management Framework</li> </ul> <hr/> <p>B. Consider Artificial Intelligence and Machine Learning based tooling to:</p> <ul style="list-style-type: none"> <li>i. Support policy management including simplification, consolidation, and consistency</li> <li>ii. Support employees to navigate policies efficiently</li> </ul>
2. Review Group and Markets policies to ensure all pertinent details are defined, including product management requirements, the <i>Markets Customer Suitability Framework</i> and the <i>Capital Markets Issuance and Underwriting Procedure</i>	<p>A. <i>ANZ Product Management Requirements</i>: Provide clearer explanations of the criteria that constitute a change in product presentation (currently in flight)</p> <hr/> <p>B. <i>Markets Customer Suitability Framework</i>: Clarify definitions of funds and trusts and relevant exemptions for customer suitability assessments</p> <hr/> <p>C. <i>Capital Markets Issuance and Underwriting Procedure</i>: Consider a more explicit reference that delegation of operational authority does not supersede escalation requirements, and formally document existing Markets processes for pre-deal checks, the determination of pricing and settlement structures, and the escalation of settlement issues</p>
3. Consider implementing metric thresholds for each metric status and escalation and action planning requirements for the <i>Markets Risk Appetite Statement</i> , with accountable owners	A. Consider defining red, amber, and green thresholds in the <i>Markets Risk Appetite Statement</i> along with clear requirements for escalation and action planning, with accountable owners
<b>3.4. Tools and processes</b>	
1. Refine approach to control design and testing, including providing greater guidance for automated controls, ensuring teams have appropriate skills and capability, and providing refresher training	<p>A. Consider refining existing control design and testing documents to include specific guidance on effective automated control design and testing methodology to align with best practice approaches</p> <hr/> <p>B. Review Markets BG&amp;C control design and testing experience and capacity to ensure appropriate coverage and skills within Markets</p> <hr/> <p>C. Deliver refresher training to BG&amp;C and Institutional Risk on control design and testing best practice approaches, and consider including content specific to automated controls</p>
2. Consider implementing a Markets controls Design Authority to provide advice and challenge for the planned controls change exercises	A. Consider implementing a Markets Control Design Authority to support risk reduction programs like I.AM Amplified, the Enterprise NFR Transformation program, and Markets-specific risk uplift work. This forum could be chaired by the Divisional Controls Officer and include representation from relevant and qualified support functions, such as

Recommendations	Additional guidance for consideration
	<p>Control Owners, Institutional Risk, and other relevant Enablement functions like Technology.</p> <p>The intention of the forum would not be to provide assurance, but to advise on and challenge control designs prior to implementation, acting as a mechanism to support strategic remediation, including increases in the level of control automation.</p>
<p>3. Progress and finalise high impact process mapping across Markets to provide an end-to-end view of operations across product lines (inflight under CPS 230 program)</p>	<p>A. Progress and finalise high impact process mapping across Markets across product lines to create an end-to-end view of operations (currently inflight under CPS 230 program)</p>
<p>4. Refine approach to root cause remediation including reviewing the requirements to close remediation, considering review and challenge processes and performing a look-back across certain closed issues</p>	<p>A. Consider redefining the Group-wide criteria for root cause remediation in the <i>Risk, Control, and Issue Management Procedures</i> to require that all remediation is completed prior to issue closure</p> <p>B. Consider implementing Institutional Risk “risk-based review and challenge” of root cause remediation for extreme or high-risk issues prior to closure</p> <p>C. Review all current Markets root causes that have been closed as “closed but incomplete” and provide closure tracking of these at the MBMF</p>
<p>5. Enhance processes for applying and communicating lessons learnt across Markets, with a mechanism to record and track actions</p>	<p>A. Enhance the <i>Markets Incident Management Framework</i> to include comprehensive guidance for applying lessons learnt across all Markets functions</p> <p>B. Establish a formal process within the MBMF to ensure that post-incident lessons are communicated effectively, with explicit expectations for attendees to disseminate insights throughout their business units and identify necessary actions; this should be formally recorded and tracked in the Markets Business Management Forum</p> <p>C. Embed sharing lessons learned in Markets all-staff communication and Town Halls to showcase opportunities for continuous improvement</p>
<p>6. Consider providing greater guidance on the aggregation of information for the risk culture assessment</p>	<p>A. Consider enhancements to the risk culture self-assessment framework, this could include:</p> <ol style="list-style-type: none"> <li>i. Adding metrics for the <i>Reward and Recognition</i> Risk Principle, which currently does not have metrics</li> <li>ii. Refining existing metrics or adding new ones for <i>Proactive Risk Management</i> Risk Principle, as current metrics do not effectively measure proactiveness</li> <li>iii. Ensure all metrics have defined thresholds, as metrics are less informative of risk culture when there is no aspiration or tolerance for comparison</li> <li>iv. Ensure all thresholds are set based on absolute tolerance or target state rather than historical averages</li> <li>v. Establishing Principle weightings and defining minimum standards for the number of Risk Principles that must be rated as “Sound” to achieve an overall “Sound” rating</li> </ol>



# Appendix A. Oliver Wyman Culture Diagnostic Survey

The following provides further detail on Oliver Wyman's Culture Diagnostic Survey and the results.

## A.1. Overview

The survey was issued to approximately 7,500 Institutional and Markets-aligned staff in enablement functions. Each respondent was asked 57 quantitative and qualitative questions, based on a blend of prior ANZ employee engagement and risk culture surveys, APRA's risk culture survey, and Oliver Wyman research. In total, 3,495 responses were received, including 2,016 free-text responses.

Staff were asked to provide certain personal details including their location, business unit and seniority. To maintain respondents' anonymity, responses were aggregated where this introduced the potential to identify respondents.

Survey responses were subject to a standardised data cleaning process, removing respondents who responded too quickly to each question to have considered them carefully or those with unchanged results throughout.

## A.2. Data cleaning process

Oliver Wyman applied a data cleaning process to survey responses to improve the accuracy and reliability of the results. This involved removing responses where staff either completed the survey in under five minutes or did not modify their answers throughout the survey at least four times.

We removed 362 of 3,495 responses through the data cleaning process, leaving 3,133 responses in the cleaned dataset. The data cleaning process reduced the favourability results by less than one percentage point on average.

## A.3. Survey question scores

The table summarises the question scores for the survey questions related to conduct. Respondents answered the questions using a five-point scale from 'Strongly Disagree' to 'Strongly Agree'. 'Strongly Agree' and 'Agree' responses are considered as 'favourable' and are used to calculate the percentages below.

The Institutional results are inclusive of Markets staff, and the Markets results are inclusive of Markets Australia staff.

**Table A1: Survey question scores for Institutional, Markets, Markets-aligned enablement functions and Markets Australia**

#	Question	Percent favourable			
		Institutional	Markets	Enablement functions	Markets Australia
	Sample size	2,850	968	283	253
29	The values and standards of conduct at ANZ are clearly communicated and well understood	91%	90%	88%	82%



#	Question	Percent favourable			
		Institutional	Markets	Enablement functions	Markets Australia
30	Senior leadership's actions are consistent with what they say (they 'walk the talk')	69%	65%	63%	43%
31	People in my part of the business understand the level of risk they can take in their roles	88%	90%	84%	86%
32	People in my part of the business are neither defensive nor aggressive when their views are challenged	65%	65%	59%	57%
33	People in my part of the business raise dissenting views	60%	62%	59%	54%
34	People in my part of the business can raise issues without fear of reprisals or negative consequences	75%	74%	72%	64%
35	I believe the input I provide here will be acted on to improve our organisation	70%	70%	72%	50%
36	Risk management roles and responsibilities are well understood	85%	85%	76%	74%
37	People are incentivised to manage risk and are recognised or rewarded for good risk behaviours	63%	64%	54%	44%
38	At ANZ there are appropriate consequences when people behave in a way that does not align with our policies and values	73%	73%	70%	54%
39	People in my part of the business raise issues when they think something is not right	86%	86%	83%	80%
40	Leadership in my part of the business demonstrate personal accountability for managing risk and sound risk behaviours	84%	81%	78%	71%
41	If someone acts in a way that is inconsistent with our values, people in my part of the business will strongly disapprove	77%	79%	72%	73%
42	I believe ANZ's investments in non-financial risk management has added value to my part of the business	66%	64%	63%	42%
43	In my part of the business, sufficient resources (budget, systems, skills, capacity) are committed to improve how we manage risk	59%	57%	45%	39%
44	Leaders in my part of the business effectively manage our most critical business risks	86%	83%	83%	72%
45	People in my part of the business have the skills required to identify, act on, and monitor risks in their role	86%	86%	80%	82%
46	Managers and leaders here promote and discuss the management of risks day-to-day	81%	79%	72%	65%
47	Risk is actively considered in decision-making	92%	91%	88%	83%

#	Question	Percent favourable			
		Institutional	Markets	Enablement functions	Markets Australia
48	In my part of the business, Risk and Compliance are both respected functions	90%	90%	87%	81%
49	ANZ's risk frameworks and policies strike the right balance between risk management and business outcomes	70%	69%	71%	52%
50	People I work with tend to exploit inconsistencies or grey areas in policies and procedures to their advantage	64%	66%	57%	76%
51	In my team, we manage risks well	92%	92%	90%	87%
52	In the past 12 months I have observed improved risk management behaviours	67%	68%	65%	51%
53	In my team when things go wrong, we make changes to ensure it does not happen again	91%	90%	87%	86%
54	My part of the business puts customers at the center of business decisions	81%	80%	75%	69%
55	I am proud to work at ANZ	82%	76%	77%	61%
56	I like the culture here at ANZ	80%	77%	73%	58%

#### A.4. Comparison of Oliver Wyman and ANZ survey results

Oliver Wyman's Culture Diagnostic Survey included some questions that were the same as, or similar to, ANZ's Risk Culture Survey. The table compares the results of the two surveys for the Global Markets business unit. Where there are differences in the question wording, the ANZ Risk Culture Survey questions have been included below. 'Strongly Agree' and 'Agree' responses are considered as 'favourable' and are used to calculate the percentages below.

**Table A2: Comparison of Oliver Wyman and ANZ's 2024 Risk Culture Survey scores**

#	Oliver Wyman Culture Diagnostic Survey questions ANZ Risk Culture Survey questions (where different)	Percent favourable		
		ANZ	Oliver Wyman	Difference
	Sample size	817	968	+151
31	People in my part of the business understand the level of risk they can take in their roles <i>ANZ: I know the level of risk I can take in my role</i>	95%	90%	-5%
34	People in my part of the business can raise issues without fear of reprisals or negative consequences <i>ANZ: In my team I can raise issues about risk management without fear of reprisals or negative consequences</i>	91%	74%	-17%
36	Risk management roles and responsibilities are well understood <i>ANZ: The risk management roles and responsibilities shared between the business, the risk function and internal audit are well understood</i>	88%	85%	-3%
38	At ANZ there are appropriate consequences when people behave in a way that does not align with our policies and values	91%	73%	-18%

Oliver Wyman Culture Diagnostic Survey questions		Percent favourable		
#	ANZ Risk Culture Survey questions (where different)	ANZ	Oliver Wyman	Difference
	<i>ANZ: At ANZ there are appropriate consequences when risk management processes and behaviours are not followed</i>			
39	People in my part of the business raise issues when they think something is not right <i>ANZ: I escalate risk issues when I see something is not right</i>	97%	86%	-11%
40	Leadership in my part of the business demonstrate personal accountability for managing risk and sound risk behaviours <i>ANZ: My manager (the person I report to) demonstrates personal accountability for managing risk and sound risk behaviours</i>	92%	81%	-11%
43	In my part of the business, sufficient resources (budget, systems, skills, capacity) are committed to improve how we manage risk	77%	57%	-20%
45	People in my part of the business have the skills required to identify, act on, and monitor risks in their role <i>ANZ: I have the skills required to identify, act, and monitor risks in my role</i>	96%	86%	-10%
47	Risk is actively considered in decision-making	97%	91%	-6%
49	ANZ's risk frameworks and policies strike the right balance between risk management and business outcomes	79%	69%	-10%
51	In my team, we manage risks well	96%	92%	-4%
52	In the past 12 months I have observed improved risk management behaviours	77%	68%	-9%
53	In my team when things go wrong, we make changes to ensure it does not happen again	95%	90%	-5%

## Appendix B. Case study selection

Oliver Wyman selected five case studies to test ANZ's risk governance management framework.

Oliver Wyman prepared a long list of potential case studies based on input from ANZ stakeholders, a review of risk event and employee relation data over the past five years, and any regulator determinations. To refine the shortlist, Oliver Wyman sought examples that covered different elements of the risk governance framework and considered the following criteria to ensure the cases tested an appropriate breadth of the infrastructure. The final shortlist of cases was shared with APRA and ANZ for approval.

- **Business units:** whether multiple teams were involved in the event
- **ANZ locations:** number of teams involved in the event
- **Time period:** when the event took place
- **Financial impact:** whether there was an actual or potential financial impact to ANZ
- **Number of customers affected:** number of customers impacted, where applicable
- **Regulator involvement:** whether the event was escalated to regulators
- **Frequency:** whether the event was isolated or part of a broader pattern of similar repeated events
- **Board engagement:** the level of Board involvement in event and remediation processes

## Appendix C. Documents reviewed

The table below provides a summary of the documents Oliver Wyman reviewed.

**Table C1: Summary of documents reviewed**

Category	Sub-category	# of documents
Policies and frameworks	Group policies and frameworks	104
	Markets-specific policies and frameworks	18
	Risk appetite documents	7
	Risk culture documents	44
<b>Policies and frameworks</b>		<b>173</b>
People and culture	Culture standards and expectations	74
	Talent management processes, procedures, and tools	74
	External culture reviews	3
<b>People and culture</b>		<b>151</b>
Governance	Governance structure	31
	Board, BRC, IRMC, MBMF papers and minutes	388
<b>Governance</b>		<b>419</b>
Risk and Internal Audit reviews	Group-wide audit papers	60
	Markets-specific audit papers	49
	Risk Governance Self-Assessment	17
<b>Risk and Internal Audit reviews</b>		<b>138</b>
Case studies	Case A	41
	Case B	35
	Case C	57
	Case D	60
	Case E	84
<b>Case studies</b>		<b>277</b>
I.AM Amplified	Design and delivery	55
	Governance and reporting	46
	External interactions	23
<b>I.AM Amplified</b>		<b>124</b>
Other	Staff lists and organisation charts	4
	Risk data including operational issues, breaches and employee cases	76
	Employee engagement surveys	22
	Control design and testing papers	68
	Other	14
<b>Other</b>		<b>184</b>
<b>Total</b>		<b>1,454</b>

## Appendix D. Glossary of terms and abbreviations

The terms and abbreviations used in this report are explained below.

### D.1. Glossary of terms

Term	Definition
<b>ANZ</b>	Australia and New Zealand Banking Group
<b>ANZ Board</b>	Both the ANZGHL Board and the ANZBGL Board (and their Board Risk Committees) unless otherwise indicated
<b>Concerns</b>	Observations that have the potential to give rise to unintended outcomes, or employees' beliefs about potential issues
<b>FX/BBSW CEU Program</b>	ANZ entered into two Court Enforceable Undertakings (CEUs) in 2017 and stood up two remediation programs as a result: the FX and BBSW Court Enforceable Undertaking (CEU) programs (referred to as the Programs)
<b>First line</b>	The first line in the Three Lines of Defence model, typically referring to front office staff and Divisional support functions
<b>Group</b>	The Group refers to the ANZ Banking Group, which houses ANZ's business activities and material risks
<b>I.AM Amplified</b>	ANZ's non-financial risk program
<b>Independent Expert</b>	ASIC engaged PwC to complete Independent Expert activities as per the requirements of the CEUs. PwC reviewed ANZ's Internal Review Reports and other artefacts relating to the CEU Programs against the requirements laid out by ASIC, and provided findings and recommendations relating to the Programs' effectiveness
<b>Institutional</b>	ANZ Division which services global institutional and corporate customers
<b>Institutional Culture Plan</b>	A program of work that aimed to uplift Institutional culture, launched in 2019
<b>Issues</b>	Actual risk events or identified gaps
<b>Markets</b>	ANZ's Global Markets business
<b>Markets leaders</b>	Members of the Markets Leadership Team (MLT)
<b>Markets Culture Plan</b>	A program of work within the Global Markets business that aimed to improve culture and risk culture
<b>Risk Governance Self-Assessment</b>	A written self-assessment of the effectiveness of risk governance, accountability, and culture practice endorsed by the Board of Directors.
<b>Second line</b>	The second line in the Three Lines of Defence model, primarily the Risk function
<b>Sub-culture</b>	A smaller subset of a larger group that shares distinct values, beliefs, and behaviours that differ to those that prevail across the larger group.
<b>Third line</b>	Internal Audit

### D.2. Glossary of abbreviations

Abbreviation	Definition
<b>3LOD</b>	Three Lines of Defence
<b>ANZBGL</b>	Australia and New Zealand Banking Group Limited
<b>ANZGHL</b>	ANZ Group Holdings Limited

<b>Abbreviation</b>	<b>Definition</b>
<b>APRA</b>	Australian Prudential Regulation Authority
<b>ASIC</b>	Australian Securities and Investments Commission
<b>BBSW</b>	Bank Bill Swap Rate
<b>BG&amp;C</b>	Business Governance & Controls
<b>BRC</b>	Board Risk Committee
<b>CEU</b>	Court Enforceable Undertaking
<b>CMRC</b>	Credit and Market Risk Committee
<b>CPS 220</b>	Prudential Standard CPS 220 Risk Management
<b>CPS 230</b>	Prudential Standard CPS 230 Operational Risk Management
<b>DRM</b>	Desk Risk Managers
<b>ER</b>	Employee Relations
<b>FOSG</b>	Front Office Supervision & Governance
<b>FX</b>	Foreign Exchange
<b>GPD</b>	Group Performance Dividend
<b>GSGF</b>	Global Surveillance Governance Forum
<b>ICARE</b>	Integrity, Collaboration, Accountability, Respect, and Excellence
<b>ICP</b>	Institutional Culture Plan
<b>IMF</b>	Incident Management Framework
<b>IRMC</b>	Institutional Risk Management Committee
<b>MBMF</b>	Markets Business Management Forum
<b>MLT</b>	Markets Leadership Team
<b>MPC</b>	Markets Product Committee
<b>NFR</b>	Non-Financial Risk
<b>OREC</b>	Operational Risk Executive Committee
<b>RACI</b>	Responsible, Accountable, Consulted, Informed
<b>RAS</b>	Risk Appetite Statement
<b>RGSA</b>	Risk Governance Self-Assessment
<b>T&amp;C</b>	Talent & Culture

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## Sources

- <sup>1</sup> APRA Information Paper: Self-Assessments of Governance, Accountability, and Culture (22 May 2019).
- <sup>2</sup> Australia and New Zealand Banking Group Limited – Report to APRA on Self-Assessment (30 November 2018).
- <sup>3</sup> Promontory Review of ANZ’s Risk Governance Self-Assessment Implementation (18 October 2021); Internal Audit Report – Risk Governance Self-Assessment (February 2022); APRA RGSA Engagement: Feedback (August 2023).
- <sup>4</sup> APRA media release titled “APRA increases ANZ’s capital add-on to \$750 million over non-financial risk management concerns” (23 August 2024).
- <sup>5</sup> Ibid.
- <sup>6</sup> Oliver Wyman Culture Diagnostic Survey:  
Q47 “Risk is actively considered in decision-making” – Institutional 92%;  
Q48 “In my part of the business, Risk and Compliance are both respected functions” – Institutional 90%;  
Q51 “In my team, we manage risks well” – Institutional 92%;  
Q53 “In my team when things go wrong, we make changes to ensure it does not happen again” – Institutional 91%;  
ANZ Institutional FY24 Risk Culture Survey:  
“In my team, we manage risks well” – All respondents 95%  
“Risk is actively considered in decision-making” – All respondents 97%  
“In my team when things go wrong, we make changes to ensure it does not happen again” – All respondents 95%.
- <sup>7</sup> Oliver Wyman Culture Diagnostic Survey: Q39 “People in my part of the business raise issues when they think something is not right” – Global Markets 86%.
- <sup>8</sup> Oliver Wyman Culture Diagnostic Survey: Q34 “People in my part of the business can raise issues without fear of reprisals or negative consequences” – Global Markets 74%.
- <sup>9</sup> Oliver Wyman Culture Diagnostic Survey: Q38 “At ANZ there are appropriate consequences when people behave in a way that does not align with our policies and values” – Markets Sydney 52%.
- <sup>10</sup> Oliver Wyman Culture Diagnostic Survey: Q35 “I believe the input I provide here will be acted on to improve our organisation” – Global Markets 70%.
- <sup>11</sup> Oliver Wyman Culture Diagnostic Survey: Q30 “Senior leadership’s actions are consistent with what they say (they ‘walk the talk’)” – Global Markets 65%.
- <sup>12</sup> Oliver Wyman Culture Diagnostic Survey: Q30 “Senior leadership’s actions are consistent with what they say (they ‘walk the talk’)” – Markets Australia 43%.
- <sup>13</sup> Oliver Wyman Culture Diagnostic Survey:  
Q40 “Leadership in my part of the business demonstrate personal accountability for managing risk and sound risk behaviours” – Global Markets 81%, Markets Australia 71%;  
Q44 “Leaders in my part of the business effectively manage our most critical business risks” – Global Markets 83%, Markets Australia 72%.
- <sup>14</sup> Oliver Wyman Culture Diagnostic Survey: Q37 “People are incentivised to manage risk and are recognised or rewarded for good risk behaviours” – Global Markets 64%.
- <sup>15</sup> FMSB Statement of Good Practice titled “Front Office Supervision of Wholesale Traded Markets”.
- <sup>16</sup> Papers presented on inclusion of the FX/BBSW CEU Control Inventory within COR to SteerCo on 5 April 2023.
- <sup>17</sup> I.AM Amplified Organisation Chart (16 October 2024) and discussions with ANZ stakeholders.
- <sup>18</sup> FX CEU Phase 4 Year 2 ANZ Internal Review Report (September 2021 – August 2022).
- <sup>19</sup> Markets control library; ANZ NFR Dashboard (December 2024).
- <sup>20</sup> FX CEU Phase 4 Year 1 – 3 Independent Expert Reports (12 November 2021, 28 October 2022, 27 October 2023); BBSW CEU Phase 4 Year 1 – 3 Independent Expert Reports (16 December 2021, 15 December 2022, 15 December 2023).
- <sup>21</sup> Ibid.
- <sup>22</sup> BBSW CEU Phase 4 Year 3 Independent Expert Report (15 December 2023).
- <sup>23</sup> Markets Internal Audit Reports: APS117 Accreditation Phase 1 Checkpoint (March 2024); Commodities (May 2024); Targeted Review of Rogue Trading / Conduct Risk (January 2024).
- <sup>24</sup> Email replacing cancelled FX & BBSW CEU Steering Committee meeting scheduled for 1 December 2021 (30 November 2021); Email relating to a FX & BBSW CEU Steering Committee meeting scheduled for the same day (7 December 2022); FX and BBSW Enforceable Undertakings Update presented to the CMRC (21 June 2022).



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<sup>25</sup> Markets Business Management Forum papers (12 September 2024); Markets Product Committee papers (17 October 2024); Institutional Risk Management Committee papers (19 November 2024).

<sup>26</sup> Discussions with ANZ Internal Audit stakeholders; Internal Audit Final Report – CPS 220 Risk Management (December 2024).

<sup>27</sup> FX CEU Phase 4 Year 1 – 3 Independent Expert Reports (12 November 2021, 28 October 2022, 27 October 2023); BBSW CEU Phase 4 Year 1 – 3 Independent Expert Reports (16 December 2021, 15 December 2022, 15 December 2023).

<sup>28</sup> Markets Business Management Forum papers (12 September 2024); Markets Product Committee papers (17 October 2024); Institutional Risk Management Committee papers (19 November 2024).

<sup>29</sup> *ANZBGL Performance and Remuneration Policy*.

<sup>30</sup> Oliver Wyman Culture Diagnostic Survey: Q30 “Senior leadership’s actions are consistent with what they say (they ‘walk the talk’)” – Global Markets 65%.

<sup>31</sup> Oliver Wyman Culture Diagnostic Survey: Q37 “People are incentivised to manage risk and are recognised or rewarded for good risk behaviours” – Institutional 63%, Global Markets 64%.

<sup>32</sup> Operational Risk and Compliance Management Remediation Plan (31 August 2022).

<sup>33</sup> NFR Transformation Outcomes Framework (August 2023).

<sup>34</sup> Operational Risk and Compliance Management Remediation Plan (31 August 2022).

<sup>35</sup> ANZ Enterprise NFR Management Program – Draft (February 2025).