

COURT ENFORCEABLE UNDERTAKING

Banking Act 1959 (Cth)

Section 18A

This Court Enforceable Undertaking (**CEU**) is given by:

Australia and New Zealand Banking Group Ltd
(ACN 005 357 522) (**ANZ**)
of ANZ Centre Melbourne, L9 833 Collins Street
Docklands VIC 3008

AND IS ACCEPTED BY:

Australian Prudential Regulation Authority (APRA)
of 1 Martin Place, Sydney NSW 2000

UNDER SECTION 18A of the *Banking Act 1959* (Cth) (the **Act**).

Section 18A of the Act is set out in Schedule 1 of this CEU.

Unless otherwise stated, the defined terms used in this CEU are set out in Schedule 2.

RECITALS

- A. APRA is the prudential regulator of the financial services industry.
- B. ANZ is an ADI under section 9 of the Act and is regulated by APRA.
- C. APRA has had long-standing prudential concerns over ANZ's non-financial risk (**NFR**) management practices and risk culture. This includes weaknesses in ANZ's operational risk and compliance management, the practical application of the three lines of defence, and a risk culture that is reactive to risks as they arise, rather than proactive in the identification and management of risks.
- D. In November 2018, ANZ provided APRA with its Risk Governance Self-Assessment (**RGSA**) report which examined whether the weaknesses identified in APRA's CBA Prudential Inquiry Report also existed at ANZ (**RGSA Report**). The RGSA Report identified ten key findings across three categories: culture, accountability and governance.
- E. In June 2019, ANZ committed to APRA that it would prioritise and address the findings on culture, accountability and governance raised in the RGSA Report (**RGSA Plan**).
- F. In July 2019, APRA imposed a capital add-on of \$500 million in response to the matters identified in ANZ's RGSA Report. The capital add-on was to apply until ANZ had completed its planned remediation to strengthen risk management and close the gaps identified in the RGSA Report. This add-on remains in place.

- G. In October 2021, an independent expert engaged by ANZ finalised a report following a review of ANZ's RGSA Plan. The independent expert found that, whilst ANZ had made significant progress in addressing the key findings set out in its RGSA, work remained ongoing in many of the areas identified in the RGSA and further actions were required to develop a consistent approach to ensuring the reforms are sustainable.
- H. In March 2022, ANZ provided APRA with an RGSA Plan Accountable Person Attestation (**Attestation**). This attested that ANZ had made significant progress across the key areas identified in its RGSA Plan and that the majority of actions identified in the RGSA Plan had been completed. However, the Attestation acknowledged that further work was required to fully operationalise and embed actions in the RGSA Plan.
- I. From 2019 to 2024, ANZ was subject to various APRA reviews and, as a result, ANZ established remediation initiatives to address the findings of the RGSA Report and APRA reviews.
- J. To address persistent weaknesses in ANZ's NFR management and risk culture, ANZ's remediation initiatives have continued to evolve and change between 2019 and 2024, including ANZ's NFR uplift program, I.AM Amplified.
- K. In August 2024, APRA's concerns increased due to issues arising in ANZ's Global Markets business (**Global Markets Business**), including conduct and behaviour issues and NFR management weaknesses. The emergence of these issues in ANZ's Global Markets Business increased APRA's concerns that ANZ's NFR remediation had not been sufficiently effective or sustainable. As a result, APRA:
- a. increased the capital add-on applied to ANZ to \$750 million;
 - b. required ANZ to appoint an independent party to review the root causes of the issues and risk governance in the Global Markets Business, assess if the root causes and issues identified may be present more broadly across ANZ, and examine the adequacy of the I.AM Amplified program to remediate the root causes and risk governance weaknesses in the Global Markets Business (**Global Markets Business Review**); and
 - c. noted that, depending on the outcomes from the Global Markets Business Review, APRA would consider whether further action was required.
- L. In October 2024, ANZ commissioned Oliver Wyman as the independent party to conduct the Global Markets Business Review. ANZ's appointment of Oliver Wyman and the scope of the Global Markets Business Review followed consultation with, and approval by, APRA.
- M. On 21 March 2025, Oliver Wyman finalised the Global Markets Business Review Report.

- N. APRA is concerned that:
- a. root causes of NFR management deficiencies across ANZ are not fully understood and have not been sufficiently addressed by ANZ over an extended period of time;
 - b. while ANZ has made progress in improving NFR management infrastructure, the Underlying Weaknesses continue to be present more broadly across ANZ as observed in various APRA reviews and engagements with ANZ; and
 - c. if these Underlying Weaknesses are not addressed effectively and sustainably, material prudential risks could arise.
- O. APRA acknowledges that ANZ has recently begun developing an enterprise-wide NFR uplift program and is committed to effectively and sustainably addressing the Underlying Weaknesses and APRA's concerns.
- P. ANZ acknowledges the Underlying Weaknesses and APRA's concerns as set out in Recital N and paragraphs 7 to 15, the need to address these sustainably and as a priority through the undertakings set out in paragraphs 16 to 24, and its obligations to continue to engage with APRA in an open, constructive and co-operative way.
- Q. This CEU has been given by ANZ under section 18A of the Act and APRA accepts this CEU as a means of ensuring that remediation of the Underlying Weaknesses is completed to a satisfactory standard.

BACKGROUND

1. ANZ has authority under section 9A(1) of the Act to carry on banking business in Australia as an ADI.
2. APRA has the functions and powers set out in the *Australian Prudential Regulation Authority Act 1998* (Cth) and the Act.
3. Under section 18A of the Act, APRA may accept a written undertaking given by a person or body corporate in connection with a matter in relation to which APRA has a power or function.
4. ANZ is a body corporate which is able to give APRA an undertaking under section 18A of the Act.
5. Under section 11B of the Act, APRA's functions include the encouragement and promotion of the carrying out by ADIs of sound practices in relation to 'prudential matters' and the evaluation of the effectiveness and carrying out of those practices.
6. Under section 5(1) of the Act, 'prudential matters' include matters relating to: a. the conduct of any part of the affairs of, or the structuring or organising of, an ADI, in such a way as to keep the ADI in a sound financial position; and b. the conduct of any part of the affairs of an ADI with integrity, prudence and professional skill.

APRA'S CONCERNS

Persistency and breadth of Underlying Weaknesses

7. APRA is concerned about the persistency of the Underlying Weaknesses in ANZ's NFR management practices and risk culture, which appear across ANZ more broadly.

8. Despite frequent engagement with ANZ since 2018 on APRA's concerns over NFR management practices and risk culture, and notwithstanding changes and evolutions of ANZ's remediation programs, ANZ is yet to demonstrate consistently that it is able to proactively identify and mitigate NFR issues.
9. APRA continues to observe:
 - a. gaps in operational and compliance risk management practices, including a lack of a comprehensive understanding of processes, risks and controls across business lines;
 - b. weaknesses in the practical application of the three lines of defence, including insufficient delineation across Line 1 and Line 2, impacting effective challenge and oversight;
 - c. a poor understanding of root causes, and a focus on short-term tactical fixes at the expense of long-term strategic solutions;
 - d. a tendency to view and address issues in an isolated manner, rather than taking a more holistic and systemic lens; and
 - e. reactivity in ANZ's risk culture.

These weaknesses have previously been discussed between APRA and ANZ in various APRA reviews and engagements, including the 2024 Prudential Consultation. Many similar weaknesses were also self-identified in ANZ's RGSA Report in 2018.

I.AM Amplified is insufficient to address all Underlying Weaknesses

10. ANZ is implementing an NFR uplift program, I.AM Amplified, which is responsible for the implementation of the I.AM Framework, being ANZ's operational risk management framework, system and NFR operating model. ANZ has been providing APRA with regular updates of this program, which is in advanced stages of implementation.
11. While APRA recognises the importance of a Group-wide NFR management framework, system and operating model, APRA's view is that the completion of this program alone is insufficient to address all of the Underlying Weaknesses and deliver the NFR management outcomes consistently across ANZ.

Global Markets Business Review Report undertaken by Oliver Wyman

12. The Global Markets Business Review Report provided an independent assessment of the culture and risk governance of ANZ's Global Markets Business. While it outlined some positive observations, it also discussed shortcomings that require rectification.
13. The Global Markets Business Review Report noted improvements in the ANZ Global Markets Business in recent years in culture, conduct and risk governance, and that "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". The Global Markets Business Review Report also noted that the review "did not identify any other significant Markets risk events."
14. Notwithstanding this, the Global Markets Business Review Report outlined five root causes within the Global Markets Business that contributed to both the emergence and persistence of the shortcomings discussed in the report. These root causes are consistent with APRA's observations on the Underlying Weaknesses. The report noted,

in the context of the Global Markets Business, that “the weaknesses in culture, leadership, and infrastructure could lead to material issues in the future if they are not addressed”.

15. The Global Markets Business Review Report also observed that:
 - a. “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”; and
 - b. there is “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.”

UNDERTAKINGS

Independent review of Group-wide root causes

16. ANZ undertakes to appoint an Independent Reviewer, with the scope of the Independent Reviewer’s engagement, to be approved in writing by APRA, to:
 - a. conduct a review into, and identify, the Group-wide root causes and behavioural drivers of the persistent weaknesses in ANZ’s NFR management practices and risk culture;
 - b. undertake a gap analysis against current or planned remediation work;
 - c. submit a report to APRA and ANZ detailing:
 - i. the findings and recommendations to sustainably address the findings of the review, within 90 days from the commencement of this CEU;
 - ii. the Independent Reviewer’s opinion of a reasonable time period for implementation by ANZ of all recommendations; and
 - d. enable bilateral engagement between the Independent Reviewer and APRA on an as-needs basis as to the status of the report and emerging findings of the Independent Reviewer.

Root Cause Remediation Plan

17. With reference to the findings of the independent review of Group-wide root causes, contemplated by paragraph 16, ANZ undertakes to:
 - a. prepare the Root Cause Remediation Plan, which:
 - i. addresses the Underlying Weaknesses, including the Group-wide root causes identified by the Independent Reviewer;
 - ii. defines the Target States that the Root Cause Remediation Plan intends to achieve;
 - iii. details the Remediation Activities which will be undertaken to achieve the Target States;

- iv. articulates key interdependencies between the Remediation Activities and in relation to other activities underway at ANZ;
 - v. sets out an appropriate timeline for the implementation of the Remediation Activities that is specific, measurable and achievable; and
 - vi. specifies the Accountable Persons with responsibility for each aspect of the Remediation Activities, and the responsibilities of those Accountable Persons;
- b. consider any feedback provided by APRA on the Root Cause Remediation Plan and make changes as necessary;
 - c. provide committed funding for the life of the Root Cause Remediation Plan and take reasonable steps to ensure that the outcomes delivered under the Root Cause Remediation Plan are sustainable;
 - d. have the Board approve the Root Cause Remediation Plan; and
 - e. submit to APRA for approval the Root Cause Remediation Plan within 90 days from the completion of the independent review of Group-wide root causes.
18. ANZ undertakes to implement the Root Cause Remediation Plan in full within the timeframes specified in the Root Cause Remediation Plan or such varied timeframes as agreed with APRA.

Independent review of the execution of the Root Cause Remediation Plan

19. ANZ undertakes to:
- a. appoint an Independent Reviewer, with the scope of the Independent Reviewer's engagement to be approved in writing by APRA, to report on the execution of the Root Cause Remediation Plan, and ANZ's progress in executing the Remediation Activities and achieving the Target States;
 - b. ensure the report referred to in paragraph a. above will be completed every three months in a form approved by APRA, and for such report to be provided to APRA within 20 Business Days of each three month period from the date the Root Cause Remediation Plan is approved by APRA; and
 - c. ensure that this reporting will continue until the Independent Reviewer concludes that the Remediation Activities have been completed, the Target States have been achieved, and the mechanisms established to ensure the improvements in NFR management practices and risk culture are sustainable.

Attestation

20. ANZ undertakes to provide a written attestation to APRA from the relevant Accountable Person, the Chair of the Board Risk Committee and/or the Chair of the Board Audit Committee once ANZ is satisfied that all of the Remediation Activities under the Root Cause Remediation Plan have been completed and that the Target States have been substantially achieved.

Capital adjustment

21. ANZ undertakes to only apply for removal of all, or part, of the \$1 billion capital add-on when it has reasonable grounds to conclude that it:
 - a. can demonstrate, to APRA's satisfaction, compliance with the specific undertakings within this CEU;
 - b. has completed, to APRA's satisfaction, the Remediation Activities set out in the Root Cause Remediation Plan; and
 - c. has demonstrated, to APRA's satisfaction, that it has substantially achieved its overall Target State.

Variable Remuneration

22. ANZ undertakes to consider and give significant weight to:
 - a. the accountability for Remediation Activities in the Root Cause Remediation Plan in the remuneration scorecards of the Accountable Persons and responsible persons specified in the Root Cause Remediation Plan, and other staff as relevant; and
 - b. whether the Root Cause Remediation Plan is on track for completion and the Target states are on track to be substantially achieved when determining the ongoing suitability of, and variable remuneration for, Accountable Persons and responsible persons specified in the Root Cause Remediation Plan, and other staff as relevant.

FAR Accountability

23. ANZ undertakes to reflect obligations under this CEU in the Accountability Statements of relevant Accountable Person(s).
24. ANZ undertakes to inform APRA which Accountable Person(s) shall have accountability for ANZ discharging its obligations under this CEU.

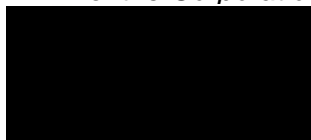
ACKNOWLEDGEMENTS

25. In giving the undertakings outlined in this CEU, ANZ provides the acknowledgements set out in Recital P.
26. This CEU is given voluntarily and ANZ has obtained legal advice in relation to its obligations under, and the effect of, this CEU.
27. This CEU has no operative force until accepted by APRA and the date of commencement of this CEU is the date it is accepted by APRA.
28. This CEU does not affect APRA's power to take any other action necessary and arising from the circumstances set out in this CEU or any other circumstances regarding ANZ.
29. ANZ acknowledges that upon any breach of the terms of this CEU, APRA may take regulatory action as it considers appropriate in the circumstances, including action under section 18A of the Act and any other regulatory responses.

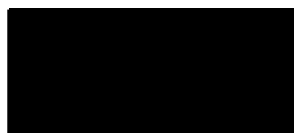
30. This CEU in no way derogates from the rights and remedies available to any other person or entity arising from any conduct described in this CEU or arising from any other conduct.
31. APRA intends to:
- a. issue a media release on the date of commencement of this CEU, referring to the terms of the CEU and to the concerns which have led to APRA accepting it from ANZ;
 - b. refer publicly to this CEU from time to time; and
 - c. publish a copy of this CEU on APRA's external website.
32. If any part of this CEU is held invalid, that such part shall be severed from this CEU and the remainder of this CEU will continue to be valid and enforceable.
33. The references to provisions of Commonwealth Acts of Parliament in this CEU shall include references to those provisions as amended from time to time and in the event of a repeal of any of them, any equivalent provision from time to time.
34. For the purposes of this CEU, any correspondence may be sent to:
- a. ANZ at ANZ Centre Melbourne, Level 9 833 Collins St Docklands VIC 3008 and/or to the email of the Company Secretary; and
 - b. APRA's office at Level 12, 1 Martin Place, Sydney, NSW 2000, to the email of the Executive Director of the General Insurance and Banking Division of APRA and to the email of the General Manager of Banking Branch 1.
35. This CEU may be varied under section 18A(2) of the Act. Any such variation must be made in writing and authorised by an APRA General Manager or above.

Execution and Acceptance

Executed by **AUSTRALIA AND NEW**)
ZEALAND BANKING GROUP LTD (ABN)
11 005 357 522) in accordance with section)
127 of the *Corporations Act 2001 (Cth)*



Paul O'Sullivan
Chair



Shayne Elliott
Chief Executive Officer

Accepted by **AUSTRALIAN PRUDENTIAL**)
REGULATION AUTHORITY under section)
18A of the Act by its delegate)



John Lonsdale
Chair

Dated: 02 April 2025

SCHEDULE 1 - SECTION 18A OF THE BANKING ACT 1959 (CTH)

18A Enforceable undertakings

- (1) APRA may accept a written undertaking given by a person in connection with a matter in relation to which APRA has a power or function under this Act.
- (2) The person may, with APRA's consent, vary or withdraw the undertaking.
- (3) If APRA considers that a person who has given an undertaking has breached any of the terms of the undertaking, APRA may apply to the Federal Court of Australia for an order under subsection (4).
- (4) If the Federal Court is satisfied that a person who has given an undertaking has breached any of the terms of the undertaking, the Court may make any or all of the following orders:
 - (a) an order directing the person to comply with the undertaking;
 - (b) an order directing the person to pay to the Commonwealth an amount up to the amount of any financial benefit that the person obtained (whether directly or indirectly) and that is reasonably attributable to the breach;
 - (c) any order that the Court considers appropriate directing the person to compensate any other person who has suffered loss or damage as a result of the breach;
 - (d) any other order that the Court considers appropriate.

SCHEDULE 2 – DEFINED TERMS

TERM	DEFINITION
2024 Prudential Consultation	means the meeting held on 29 November 2024 between APRA and ANZ’s executive team at ANZ’s Melbourne offices.
Accountable Persons	means the persons that ANZ has identified as holding the ‘Accountable Person’ role described in section 10 of the FAR Act.
Act	means the <i>Banking Act 1959</i> (Cth).
ADI	means authorised deposit taking institution as defined by s 5 of the Act.
ANZ	Australia and New Zealand Banking Group Limited ACN 005 357 522.
APRA	the Australian Prudential Regulation Authority.
Attestation	means the March 2022 RGSA Plan Accountable Person Attestation ANZ provided to APRA.
Board	means the ANZ board of directors.
Business Day	means a day that is not a Saturday, a Sunday or a public holiday in the state Victoria.
CBA Prudential Inquiry Report	means the Final Report of the Prudential Inquiry into the Commonwealth Bank of Australia (CBA), dated 1 May 2018.
CEU	this court enforceable undertaking offered by ANZ and accepted by APRA under s 18A of the Banking Act.
Commencement Date	the date this CEU is accepted by APRA.
FAR Act	<i>Financial Accountability Regime 2023</i> (Cth).
Global Markets Business	means ANZ’s Global Markets business.
Global Markets Business Review	means the independent review into ANZ’s Global Markets Business as conducted by Oliver Wyman over a five-month period, from October 2024 – March 2025.
Global Markets Business Review Report	means the final report issued by Oliver Wyman on 21 March 2025 in relation to the Global Markets Business Review.
I.AM Amplified	means ANZ’s program designed to uplift the bank’s operational risk management and compliance practices.
Independent Reviewer	means a person(s) approved by APRA with expertise to report on the matters required by paragraph 16 and paragraph 19 of this CEU.
NFR	means non-financial risk.
Oliver Wyman	means Oliver Wyman Pty Ltd (ABN 65 108 211 543).
Remediation Activities	means all activities ANZ is undertaking, or will undertake, to address the Underlying Weaknesses.
RGSA	means the 2018 Risk Governance Self-Assessment conducted by ANZ which examined whether the weaknesses identified in APRA’s CBA Prudential Inquiry Report also existed at ANZ.
RGSA Plan	means ANZ’s plan to address the findings made in the RGSA.

TERM	DEFINITION
RGSA Report	means ANZ's report on the RGSA dated 30 November 2018.
Root Cause Remediation Plan	means the written remediation plan anticipated by this CEU.
Target States	means the outcomes that the Remediation Activities are designed to deliver.
Underlying Weaknesses	means ANZ's underlying weaknesses in NFR management practices, controls, systems, accountability and risk culture, including those set out in paragraph 9 of this CEU.