

## News Release

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### Transcript of bluenotes interview with outgoing ANZ Chairman David Gonski AC

**Andrew Cornell:** Thanks very much, David, for the opportunity to talk to you. You've announced your retirement from the ANZ Board, in effect for the second time. You've had two stints on the ANZ Board earlier this century and then for the last few years. Can you talk us through the timing of this particular one?

**David Gonski:** Well, Andrew I think the first thing I would say is I've been on the Board now as Chairman for six and a bit years and when I go in two months to be six and a half years. And I think that's about the right period in the circumstances.

But most particularly, the reason I chose now is I'm very happy with where ANZ is. I believe that we have a very talented management team now in place and I think the CEO's Shayne Elliott is outstanding. And I think the team has now got together around him - together, I might say, with the great number of people that work in the ANZ team - are very good. I think that our concept of simplifying our structures and our operations so that we can improve what we do for our customers and indeed in turn maybe improve our profits as well, is well now in place. And that management have done a great job of that.

Finally, I believe that we have put good steps in place to improve our governance and particularly around matters impacting our reputation. It just seems, Andrew, now's the right time. The bank is in good stead, ready to go to its next chapter. And I think bringing in new blood at this point in the Chair's seat is the right thing to do.

**Andrew Cornell:** And the point that we're still really in the midst of a once in a century global pandemic and the entire economy, you know, our social lives have been in upheaval. You didn't think perhaps you needed to delay a year or anything like that?

**David Gonski:** Oh, I thought about that in great depth and I don't want to leave people in a time of difficulty. But I believe now that we've sadly been in this pandemic since probably the beginning of March. By the time I go, that would be eight months roughly of it. And I think that we're well supported, we're in good shape, we've got a strong balance sheet, good staff. I think the ability to work remotely has been shown to be excellent and that we should be proud of that as a bank.

And so I think that, you know, you can make excuses to stay forever in the position of Chair because it's a great honour. But I think that it's the right time. And my successor, Paul O'Sullivan, I think has got all the qualities that you'd want to lead in a situation such as we're in.

**Andrew Cornell:** Can you talk us through then... because in your time as Chairman, you've refreshed the Board on an ongoing basis and successions have

obviously always been one element of that. Can you explain how it came to be, Paul? He's the newest person on the Board, joined at the start of the year. What was the thought process there?

**David Gonski:** Well, the first thing I would say is I think we can be proud of the fact that we actually not only had a person that could succeed me on the Board, but there were probably two or three others who could do it as well. When you look at a Board, often you have to look at how long people have been on that Board - that's quite relevant. Including for me in determining when I should go.

And I think that the Board got together and they were asked who they felt was the right person. Of those who wanted to do it, we discussed it, there was no acrimony and no animosity. The Board is very happy with the selection that's been made and we're all ready to assist Paul - including myself - who's going to do really well in his new role.

**Andrew Cornell:** And did you talk about how you believe the balance not only on the Board ranks but in the executive ranks here is very good. You're very proud of that. Does Paul have any immediate challenges with the structure of the Board, with the number of people on the Board or what challenges that you've handed over to him?

**David Gonski:** Well, I suppose you could be cynical and say I've given him a problem - he's got to find a replacement for my seat because I'll be gone. And our Board is not a big Board, and it's up to Paul. But I would be advising him to replace at least me. And then over the years, as you probably know, if you look back at history, our Board has usually been either the size it is now or one bigger. So it'll be up to him. But that would be his first challenge to find good people. And I'm pretty confident he will do that. He's got a very good list in his mind and he is right on the job. So that's the first thing.

The second thing that he will do, and I know he'll do it well, is he will have to make decisions and so on whether he wants to run the Board the way I did. And by the way, each person runs a Board in a different way, and that's a good thing. Boards should not get into a rut that you do it exactly the way the predecessor did et cetera. I have every confidence Paul will do this well. And I think the Board is probably excited that Paul is coming and they'll see what he what he brings.

**Andrew Cornell:** Leaving aside this extraordinary year, you've had the two periods on the ANZ Board - two quite different periods - although in the first one the ANZ strategy was being developed and the Asia strategy was being developed and in the second one you've seen to a modification of the Asian strategy. But how different were those two periods for ANZ?

**David Gonski:** Oh, I think that they were very different periods. The first period that I had was a period, by the way, where the Asian strategy wasn't actually developed that much. It was only in the last year of my five-year stint that we were looking at that. What happened, which was a big event in that period, was that we bought the National Bank or the Green Bank, as they called it, in New Zealand. This was a very far-sighted, in my opinion, decision which was driven by John McFarlane, who was the then CEO and the Chairman Charles Goode. And I think they did a good deal and a very far-sighted deal, making us a very strong bank in New Zealand. I think we can be very proud of that step.

In terms of the second of my two stints. Well, obviously, in between there was the GFC and I wish I could say to you and those listening

that I knew there would be a GFC and therefore I stepped off the Board for five or six years. That's not true, that was just happenstance. But when I came back the GFC had definitely left a mark on the bank as it had, by the way, on the whole financial industry. There was a much more developed strategy in Asia when I came back and by the way, a strategy that I thought was a very good move to start to look internationally.

And then, of course, as you know, in the last few years, we have refined that strategy, most grateful for the fact that it was well developed. But obviously, with excellent and, I think, good steps taken by our present CEO in looking at what we do well in our various countries of operation and seeking to do better within a lesser purview.

**Andrew Cornell:** Indeed, you talk about how simplification is one of the things that Shayne Elliott has done very well that you obviously concurred with. The bank is a more focused bank, it's a smaller bank in many ways with a more focused ambition. Is that the way of banking in the future?

**David Gonski:** I think you're absolutely right that complex banking, when you are a large commercial operation like we are, is very difficult. I should say to you, Shayne was the first to coin the concept that we will be less complex, more simple in the way we do things, we'll refine our products and so on. I've noticed, I think at least three of the big four have used exactly the same words but Shayne was the first. And he has, in my opinion, walked the talk. We've done a lot of simplification. And I think that in the future that will stand us, and other banks who seek to do that, in very good stead.

**Andrew Cornell:** And you did manage to dodge the GFC, but you didn't dodge the Royal Commission which was, in Australia anyway, almost as seismic as the GFC. How much did that change the direction of banking and the way you saw the role of Boards for banks?

**David Gonski:** Well, let's talk first about banking as a whole. There's no doubt that the Royal Commission and I will also say the coming of the Royal Commission, because it wasn't born just on one day - it was threatened, cajoled and discussed for some years before it came. I think the effect of that, which was, by the way, a good thing, made us a little bit introspective in what we were doing. Made us have a look at have we lost our love and focus on our customers? Are we doing the right thing each time? Are we making mistakes and then perpetuating them rather than knowing we've made a mistake fixing it and never doing it again. So I think it had a very good effect. It was a tough period. Particularly, I must say, for those of our staff who were called before it. And by the way, they were exemplary, amazing people. I still remember watching them from my office and being so impressed that we had people like that who could be questioned and answer so brilliantly, including our CEO. And so I was very taken by the performance of the ANZ people. So we went through that and obviously it left a mark and we had a lot of remediation to do. But good lessons will flow from that. I think we've learnt a lot and I think our self-assessment is extremely good, which in turn resulted in simplification and so on.

As to the way the Board operated, it's an interesting thing whether the Board has actually changed. There's no doubt that the Board spends more time now than when I first joined the bank in the early 2000s on regulatory matters. I'm not sure whether that's good or bad. There is no doubt that this Board, in my opinion, is a very good Board, a

hardworking Board. More is required of it than the Board I joined in 2001. And I am amazed how my colleagues are always available - at the drop of a hat they will come to a meeting. Always well read on the subject and always prepared to give their thinking on the subject. As to what Boards are doing, yes there's a lot of regulation. I think for a while there was quite a lot of introspection. But I'm pleased to tell you that I believe the Board is now - with the help of management - looking to our strategy, looking outwards a bit. And I think the balance is starting to be correct where it should be between regulation, remediation and actually running the business and looking to the future. We're not quite there yet, but we will get there.

**Andrew Cornell:** And even leaving aside the increased burden with compliance and with regulation and the way you're working through that. We've also seen in this last decade an expansion of the remit of Boards in terms of ESG, for example - environmental, social and governance issues, diversity issues. What traditionally may have been set aside as not core shareholder issues, now they very much are. How do you see that evolving for Boards and their responsibilities?

**David Gonski:** The first thing I would say is I believe very strongly in the non-executive model of directorships that we have in Australia. In America, they have a slightly different formulation and other countries have an even more different formulation. The reason I like the non-executive Board structure is that it allows people to contribute what they bring from outside and hopefully bring various concepts and indeed advice and indeed solid ideas to the table that aren't internally generated. And this is the way, I think, of the future. That all of us have to realise that in the community we have obligations.

And by the way, that's not just an obligation as a group - as ANZ - but an obligation on each of us as individuals, both within the company and as we run our own lives. And I think the non-executives, together with the executives, have an obligation to steer the company for the benefit not just of shareholders - and that's important, obviously - but also for our staff and for society generally. And this means that ESG or whatever you like to call it, becomes a core part of what you're doing. And I think the Board has a role to play to help management work out the sweet spot of what is important and what isn't. How much do you put in terms of effort into that as opposed to other things? Because everything in life is a tradeoff.

But in the ultimate, if we ignore ESG, we will be ignored and rightly by our community and even worse, we may not be able to do business. But on the other hand, if we embrace it, we're actually showing that we're human. We are actually putting important emphasis towards important things in our lives. And I think that makes it great to be on the Board. Great to be a member of staff in such a company. And in the end, shareholders will be proud to.

**Andrew Cornell:** In the current debate, it's talked of in terms of stakeholder rather than shareholder capitalism, said stakeholder capitalism is something that you see as the future, that you would support?

**David Gonski:** I think it's not in the future, I think it's happening now. I think that most of our shareholders also have ESG requirements placed on them, particularly the big ones - the big institutions, the big super funds and so on. So if we exhibit bad practices, they won't invest in us. And you know what? They'd probably be right so to do.

But what I love about ANZ, and it was the same in my first stint as it is in the second, that we are a group of people who do have an openness of mind to actually looking at what our society is, to putting some of the ideas of ESG as paramount in some circumstances and very important in others. And I've always been impressed with ANZ from the very first day in the early 2000s that there is an openness to this thinking and long may it stay because that openness will not only give us that licence that people talk about - our corporate licence or social licence as some as people call it - to do business. But it would be an inspirational place to work. And I think a great place to deal with either as a shareholder or a customer.

**Andrew Cornell:** And you mentioned the National Bank of New Zealand transaction. But when you think of the two periods you've been on the Board, are there moments that stand out that you'll remember well after your tenure?

**David Gonski:** Well, I think that I'm very proud, as you can probably tell, of being involved in appointing Shayne Elliott as our CEO. I mean, we had him already as CFO. I'm not sure that everybody in the community and so on saw him as the CEO and we did as a Board and we got it right. And I will not forget that period. I shall not forget a few people that needed me to talk to them outside the bank to explain what we were doing. And I don't think any of them feel that we got it wrong. And in fact, the proof is in the pudding and he's done a wonderful job.

I think that I will remember without doubt how, even through the difficult times of the Royal Commission, how the Board of this group worked in my opinion, seamlessly. And I don't remember, if I'm going to be honest, a severe disagreement around the Board table. Many disagreements on what we thought, but always put in a constructive way and no one left the table - in those days, we used to sit around the table pre-COVID - no one left the table feeling upset or whatever their view wasn't at least listened to. And it's been a very strong Board and one I'll take with me.

The final point I'd like to say is I am amazed at how many great people work at ANZ. I've met many of them and there are many I haven't met but there's a consistency at ANZ of wonderful people and I just think it sets us apart from other organisations. And long may that be the case.

**Andrew Cornell:** Well, thank you, David. In my former life at the Financial Review, you were always on our power lists of most-connected people. And I've noted your comments on the dangers of retirement so I'm assuming you're not going to retire. But we can only hope that you stay as connected in the business community as you've always been. And good luck for the future.

**David Gonski:** Well, let me leave it with no doubt - I don't want to retire! I want to keep doing things. But my leaving the bank is not because I want to retire, it's because I think now is a good time for there to be a new Chair. And the new Chair, let me assure you, will be excellent.

**Andrew Cornell:** Well, thanks again, David.

**David Gonski:** All the best. Thank you, Andrew.

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