



# Independent Review of the Commonwealth Bank of Australia's Remedial Action Plan

*Progress in Addressing Prudential Inquiry Recommendations*

Prepared by Promontory Australia, a division of IBM

## Ninth Report

30 October 2020

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*Promontory Australia, a division of IBM (**Promontory** or **we**) has been engaged as the Independent Reviewer of Commonwealth Bank of Australia's (**CBA's**) Remedial Action Plan (**RAP**) to address the Recommendations of the Australian Prudential Regulation Authority's (**APRA's**) Prudential Inquiry into CBA.*

*In accordance with the terms of the Enforceable Undertaking (**EU**) agreed between APRA and CBA on 30 April 2018, Promontory's independent review role requires us to report on a quarterly basis:*

- *The status of CBA's compliance with certain requirements of the EU; and*
- *Items in the RAP that CBA considers are nearing completion.*

*This is Promontory's ninth report (**Ninth Report**) in relation to execution of the RAP. The Report provides an update on actions CBA has taken to execute the RAP in the period from 1 July 2020 to 30 September 2020. It also provides an update on CBA's program management of the RAP.*

*A representative of CBA has reviewed a draft version of this Report for the purposes of identifying possible factual errors. Promontory is responsible for final judgement on all views and information in this Report.*

*This Report is provided solely for the purposes described above. Promontory's independent review role may not incorporate all matters that might be pertinent or necessary to a third party's evaluation of the RAP or any information contained in this Report. No third-party beneficiary rights are granted or intended. Any use of this Report by a third party is made at the third party's own risk.*

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## Contents

<b>EXECUTIVE SUMMARY .....</b>	<b>7</b>
<b>1. INTRODUCTION.....</b>	<b>12</b>
1.1. BACKGROUND .....	12
1.2. THE REMEDIAL ACTION PLAN .....	13
1.3. PROMONTORY’S INDEPENDENT REVIEWER ACTIVITIES .....	15
1.4. REPORT STRUCTURE .....	18
<b>2. PROGRAM DEVELOPMENTS .....</b>	<b>19</b>
2.1. PROGRAM PROGRESS.....	19
2.2. KEY PROGRAM DEVELOPMENTS .....	22
2.2.1. <i>Board and Executive Leadership Oversight</i> .....	23
2.2.2. <i>Program Governance</i> .....	24
2.2.3. <i>Program Delivery</i> .....	25
2.2.4. <i>Program Management</i> .....	30
2.2.5. <i>Risk and Assurance Oversight</i> .....	34
2.3. ONGOING CHALLENGES AND THE ROAD AHEAD .....	35
2.4. FOCUS AREAS .....	40
<b>3. BOARD GOVERNANCE THEME MILESTONES .....</b>	<b>42</b>
3.1. STATUS OF BOARD GOVERNANCE THEME .....	42
3.1.1. <i>Status of Board Governance Theme Milestones</i> .....	42
3.1.2. <i>Status of Board Governance Theme Recommendations</i> .....	45
3.2. BOARD GOVERNANCE THEME MILESTONE ASSESSMENT OUTCOMES.....	46
3.2.1. <i>Assessment of Recommendation 4 Milestone</i> .....	46
3.3. BOARD GOVERNANCE THEME RECOMMENDATION ASSESSMENT OUTCOMES .....	47
3.3.1. <i>Assessment of Recommendation 4</i> .....	47
<b>4. MANAGEMENT GOVERNANCE THEME MILESTONES.....</b>	<b>49</b>
4.1. STATUS OF MANAGEMENT GOVERNANCE THEME.....	49
4.1.1. <i>Status of Management Governance Theme Milestones</i> .....	49
4.1.2. <i>Status of Management Governance Theme Recommendations</i> .....	51
4.2. MANAGEMENT GOVERNANCE THEME MILESTONE ASSESSMENT OUTCOMES .....	52
4.2.1. <i>Assessment of Recommendations 7 and 8 Milestones</i> .....	52
4.3. MANAGEMENT GOVERNANCE THEME RECOMMENDATION ASSESSMENT OUTCOMES.....	54
4.3.1. <i>Assessment of Recommendation 7</i> .....	54
4.3.2. <i>Assessment of Recommendation 14</i> .....	55
<b>5. OPERATING MODEL (3LOA) THEME MILESTONES .....</b>	<b>57</b>
5.1. STATUS OF OPERATING MODEL (3LOA) THEME .....	57
5.1.1. <i>Status of Operating Model (3LoA) Theme Milestones</i> .....	57
5.1.2. <i>Status of Operating Model (3LoA) Theme Recommendations</i> .....	58
<b>6. RISK APPETITE, TAXONOMY AND STANDARDS THEME MILESTONES .....</b>	<b>60</b>

6.1.	STATUS OF RISK APPETITE, TAXONOMY AND STANDARDS THEME .....	60
6.1.1.	<i>Status of Risk Appetite, Taxonomy and Standards Theme Milestones</i> .....	60
6.1.2.	<i>Status of Risk Appetite, Taxonomy and Standards Theme Recommendations</i> .....	63
<b>7.</b>	<b>ACCOUNTABILITY AND CONTROLS DELIVERY THEME MILESTONES .....</b>	<b>65</b>
7.1.	STATUS OF ACCOUNTABILITY AND CONTROLS DELIVERY THEME.....	65
7.1.1.	<i>Status of Accountability and Controls Delivery Theme Milestones</i> .....	65
7.1.2.	<i>Status of Accountability and Controls Delivery Theme Recommendations</i> .....	67
<b>8.</b>	<b>CUSTOMER OUTCOMES THEME MILESTONES .....</b>	<b>68</b>
8.1.	STATUS OF CUSTOMER OUTCOMES THEME .....	68
8.1.1.	<i>Status of Customer Outcomes Theme Milestones</i> .....	68
8.1.2.	<i>Status of Customer Outcomes Theme Recommendations</i> .....	70
<b>9.</b>	<b>CULTURE, CAPABILITY AND CONSEQUENCES THEME MILESTONES .....</b>	<b>72</b>
9.1.	STATUS OF CULTURE, CAPABILITY AND CONSEQUENCES THEME .....	72
9.1.1.	<i>Status of Culture, Capability and Consequences Theme Milestones</i> .....	72
9.1.2.	<i>Status of Culture, Capability and Consequences Theme Recommendations</i> .....	78
9.2.	CULTURE, CAPABILITY AND CONSEQUENCES THEME MILESTONE ASSESSMENT OUTCOMES.....	80
9.2.1.	<i>Assessment of Recommendation 22 Milestone</i> .....	80
9.2.2.	<i>Assessment of Recommendation 24b Milestone</i> .....	81
9.2.3.	<i>Assessment of Recommendation 25a Milestone</i> .....	82
9.2.4.	<i>Assessment of Recommendation 25b Milestone</i> .....	83
9.2.5.	<i>Assessment of Recommendation 26 Milestone</i> .....	85
9.2.6.	<i>Assessment of Recommendation 27 Milestone</i> .....	86
9.2.7.	<i>Assessment of Recommendation 28 Milestone</i> .....	87
9.2.8.	<i>Assessment of Recommendation 29 Milestone</i> .....	88
9.2.9.	<i>Assessment of Recommendation 30 Milestone</i> .....	89
<b>10.</b>	<b>PROGRAM EXECUTION THEME MILESTONES .....</b>	<b>91</b>
10.1.	STATUS OF PROGRAM EXECUTION THEME .....	91
10.1.1.	<i>Status of Program Execution Theme Milestones</i> .....	91
10.1.2.	<i>Status of Program Execution Theme Recommendations</i> .....	94
10.2.	PROGRAM EXECUTION THEME MILESTONE ASSESSMENT OUTCOMES.....	96
10.2.1.	<i>Assessment of Recommendation 35 Milestone</i> .....	96

## Definitions

3LoA	Three Lines of Accountability
AHL	Aussie Home Loans
APRA	Australian Prudential Regulation Authority
BAC	Board Audit Committee
BAU	Business-as-usual
BB	Business Banking
BBLO	Better Bank Leadership Offsite
BEAR	Banking Executive Accountability Regime
BRCC	Board Risk and Compliance Committee
BSO	BEAR Supervisory Office
BU/SUs	Business Units and Support Units
CAP	Control Assessment Program
CBA	Commonwealth Bank of Australia
CCO	Chief Controls Officer
Central RAP Team	The central team that manages the Program
CEO	Chief Executive Officer
CIP	Change Investment Process
CMLA	Colonial Mutual Life Assurance
CRO	Chief Risk Officer
EGM	Executive General Manager
Eighth Report	Promontory's eighth report dated 31 July 2020
ELT	Executive Leadership Team
ES	Enterprise Services
EU	Enforceable Undertaking
Fifth Report	Promontory's fifth report dated 31 October 2019
First Report	Promontory's first report dated 28 September 2018
Fourth Report	Promontory's fourth report dated 31 July 2019
GA&A	Group Audit and Assurance
GDF	Group Delivery Framework
GE	Group Executive

## Independent Review of the Commonwealth Bank of Australia’s Remedial Action Plan

Ninth Report

October 2020

HR	Human Resources
IB&M	Institutional Banking and Markets
Inquiry	The APRA inquiry to examine whether governance, culture and accountability practices at CBA had contributed to a series of incidents that had led to adverse publicity and regulatory scrutiny
Inquiry Recommendations	The 35 recommendations made in the <i>Inquiry Report</i>
<i>Inquiry Report</i>	<i>The Prudential Inquiry into the Commonwealth Bank of Australia (CBA) Final Report</i>
KPI	Key Performance Indicator
L&GG	Legal and Group Governance
MCA	Marketing and Corporate Affairs
NFR	Non-Financial Risk
NFRC	Non-Financial Risk Committee
Ninth Report	Promontory’s ninth report dated 30 October 2020
ODCEO	Office of the Deputy Chief Executive Officer
OR&C	Operational Risk and Compliance
Pandemic	COVID-19 Pandemic
PRC	People and Remuneration Committee
Previous Reports	Promontory’s previous reports dated 28 September 2018, 20 December 2018, 30 April 2019, 31 July 2019, 31 October 2019, 31 January 2020, 30 April 2020 and 31 July 2020
Prioritised Risk Types	Financial Crimes Compliance, Privacy and Conduct risk types
Program	Program of work to execute the RAP
Promontory	Promontory Australia, a division of IBM
RAP	Remedial Action Plan
RAS	Risk Appetite Statement
RBS	Retail Banking Services
RCSA	Risk and Controls Self-Assessment
Recommendations	The 45 recommendations that make up the RAP
Reporting Date	30 September 2020
Reporting Period	1 July 2020 to 30 September 2020
RiS	RiskInSite

## Independent Review of the Commonwealth Bank of Australia's Remedial Action Plan

Ninth Report

October 2020

RM	Risk Management
Second Foundational Review	A further Foundational Review to follow the review conducted in the second half of 2019
Second Report	Promontory's second report dated 20 December 2018
Seventh Report	Promontory's seventh report dated 30 April 2020
Sixth Report	Promontory's sixth report dated 31 January 2020
STVR	Short-Term Variable Remuneration
Sustainability Plan	Plan to ensure that the Target State of a Recommendation will be maintained on an ongoing basis
Theme	A shared theme of a series of Recommendations
Third Report	Promontory's third report dated 30 April 2019

## Executive Summary

This is the ninth report (**Ninth Report** or **Report**) required of Promontory as Independent Reviewer under paragraph 13 of the Enforceable Undertaking (**EU**) given by the Commonwealth Bank of Australia (**CBA**) to the Australian Prudential Regulation Authority (**APRA**) on 30 April 2018. It follows our **Previous Reports**, dated 28 September 2018 (**First Report**), 20 December 2018 (**Second Report**), 30 April 2019 (**Third Report**), 31 July 2019 (**Fourth Report**), 31 October 2019 (**Fifth Report**), 31 January 2020 (**Sixth Report**), 30 April 2020 (**Seventh Report**) and 31 July 2020 (**Eighth Report**)<sup>1</sup>.

The Ninth Report sets out our observations on CBA's activities on the Remedial Action Plan (**RAP**), (as required by paragraph 12 of the EU), between 1 July 2020 and 30 September 2020 (the **Reporting Period**). The status of RAP Milestones is reported as at 30 September 2020 (the **Reporting Date**).

### **Overall Observations**

Since signing the EU, CBA has made significant progress in executing the RAP. At the Reporting Date: 130 (out of a total of 177<sup>2</sup>) Milestones had been closed – including all Milestones under the Management Governance Theme; 27 Milestones were being assessed by Promontory; and work was underway by CBA on a further 20 Milestones.

The Program's focus is now firmly on the Embed and Recommendation Closure Phases.

Our overall view about the Program changed little during the Reporting Period from that set out in our Eighth Report; much has been achieved, but there is also much still to be done. Importantly, some of the remaining Recommendations will be among the most challenging to close.

During the Reporting Period CBA developed its thinking about, and approach to mitigating risks associated with, the key challenges raised in our Eighth Report. In particular, during the Reporting Period:

- In its Forward-Look Session<sup>3</sup> CBA sharpened its approach to addressing the three core challenges of quality, consistency and sustainability.
- The risk of insufficient capacity and capability to resource the execution of the RAP, which we highlighted in our Eighth Report, began to crystallise, although significant progress towards resolving this challenge was also made by CBA.
- CBA spent time sharpening its approach to Three Lines of Accountability (**3LoA**), most notably in balancing the division of responsibilities between the Chief Controls Officer's (**CCO's**) team and the business.
- The Program continued to make good progress in addressing identified areas of inconsistency, with the result that the remaining areas of inconsistency are now focused on a few specific Recommendations.

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<sup>1</sup> Promontory's First, Second, Third, Fourth, Fifth, Sixth, Seventh and Eighth Reports are available [here](#), [here](#), [here](#), [here](#), [here](#), [here](#), [here](#) and [here](#) respectively.

<sup>2</sup> One Milestone was added to the RAP during the Reporting Period. Further information on this change is set out in section 1.2.

<sup>3</sup> A description of the Forward-Look Session and details of the discussion are set out in section 2.2.3.



As the Program enters its final stages, it is vital that CBA follows through on the progress it made during the Reporting Period in mitigating the risks associated with these challenges. Further details on the Program's progress and challenges are provided below.

## ***Program Progress***

As at the Reporting Date the Program remained on-track to complete all 45 Recommendations Closures by the Due Dates set out in the RAP. All but one of the 177 Milestones were on-track<sup>4</sup> for completion by the Due Date set out in the RAP. The Program has since taken action to bring progress on that one Milestone back on-track. Further information on this Milestone is set out in section 2.1.

The Design Phase of the Program has been completed. By the Reporting Date, CBA had submitted Milestone Closure Packs to Promontory evidencing completion of work on all 57 Design Milestones<sup>5</sup> and, based on a review of the Closure Packs, other documents and interviews with key stakeholders, Promontory had assessed all Design Milestones as complete and effective.

The Program has completed work on most Implement Milestones. By the Reporting Date:

- CBA had started or completed work on all 69 Implement Milestones.
- CBA had submitted Milestone Closure Packs to Promontory evidencing completion of work on 67 Implement Milestones (five of which were received during the Reporting Period).
- Based on a review of Closure Packs, other documents and interviews with key stakeholders, Promontory had assessed a total of 57 Implement Milestones as complete and effective<sup>6</sup> (eight of which were assessed during the Reporting Period).
- We had not completed our assessment of nine Implement Milestones (one of which was delivered at the end of the Reporting Period).

The Program has completed work on a significant number of Embed Milestones. By the Reporting Date:

- CBA had started or completed work on all 51 Embed Milestones.
- CBA had submitted Milestone Closure Packs to Promontory evidencing completion of work on 33 Embed Milestones (13 of which were received during the Reporting Period).

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<sup>4</sup> Milestones and Recommendation Closures are considered not to be on-track where either the Closure Pack has not been delivered to us by the Due Date for that Milestone or Recommendation Closure as set out in the RAP, or, in relation to Milestones or Recommendation Closures where Closure Packs are due for delivery within the next quarter, the Program at the Reporting Date has identified issues which require escalation and intervention by management to progress back to schedule.

<sup>5</sup> Design Milestones define a Group-wide approach to address each Recommendation. Implement Milestones generally relate to the rollout or launch of that approach. Embed Milestones are when the operational effectiveness of the approach is demonstrated on a sustainable basis.

<sup>6</sup> We also closed one additional Implement Milestone but did not assess it as complete and effective in the Fifth Reporting Period. See section 1.3 of our Fifth Report for further details.

## Independent Review of the Commonwealth Bank of Australia’s Remedial Action Plan

Ninth Report

October 2020

- Based on a review of Closure Packs, other documents and interviews with key stakeholders, Promontory had assessed 15 Embed Milestones as complete and effective (six of which were assessed during the Reporting Period).
- We had not completed our assessment of 18 Embed Milestones (nine of which were delivered at the end of the Reporting Period).

Certain approaches to implementation and sustainability measures described in the Closure Packs and Sustainability Plans submitted to us were not fully mature at the time of assessment. As has been our practice throughout the Program to date, where we encountered such situations, we flagged our intention to focus on particular design features, approaches to implementation or sustainability measures when assessing subsequent related Milestones or Recommendation Closures.

Program progress by Theme is set out in Table 1.

**Table 1: Milestone Progress by Theme as at the Reporting Date (by number of Milestones)**

Theme	Work Not Started	Work in Progress	Closure Pack Submitted to Promontory		Milestones Closed	Total
			Assessment Not Started	Assessment Underway		
Board Governance	0	1	2	0	17	20
Management Governance	0	0	0	0	19	19
Operating Model (3LoA)	0	2	0	1	8	11
Risk Appetite, Taxonomy and Standards	0	2	2	4	12	20
Accountability and Controls Delivery	0	2	0	3	8	13
Customer Outcomes	0	2	1	3	10	16
Culture, Capability and Consequences	0	6	4	1	39	50
Program Execution	0	5	1	5	17	28
<b>TOTAL</b>	<b>0</b>	<b>20</b>	<b>10</b>	<b>17</b>	<b>130</b>	<b>177</b>

The Program’s focus is now firmly on Recommendation Closures. By the Reporting Date:

- CBA had started or completed work on all 45 Recommendation Closures<sup>7</sup>.
- CBA had submitted to Promontory Closure Packs in relation to 21 Recommendations (14 of which were received during the Reporting Period).
- Based on a review of Closure Packs, other documents and interviews with key stakeholders, Promontory had assessed five Recommendations as closed (three of which were assessed during the Reporting Period).

<sup>7</sup> While the *Inquiry Report* made 35 recommendations, the RAP splits some of these into multiple parts, resulting in 45 Recommendations in total.

- We had not completed our assessment of Closure Packs in relation to 16 Recommendations (10 of which were delivered at the end of the Reporting Period).

### **Risks and Challenges**

As noted above, our overall view of the Program changed little during the Reporting Period.

While good progress has been made in developing solutions, the Program still faces largely the same three core challenges of quality, consistency and sustainability that we called out in the Eighth Report. As the Program enters its final stages we expect these challenges to grow more acute. We highlight some of these challenges below.

As part of its approach to addressing the challenge of ensuring quality deliverables at a time when resources are under pressure due to the Pandemic, CBA adopted a strategy during the Reporting Period of placing greater emphasis on prioritisation. As applied in the Reporting Period prioritisation had several aspects, including shifting resources to focus on areas of higher risk, as well as re-assessing whether some aspects of the RAP were being over-implemented. While prioritisation makes good sense, both in terms of risk management and keeping the wheels of progress turning, it nevertheless poses questions with respect to how those parts of the RAP that are de-prioritised will be treated. Promontory will need to work with CBA in the period ahead to better understand how these parts of the RAP will be managed.

In our Previous Report we broadened the challenge of consistency to include risks arising from inconsistencies across the maturity of Business Unit and Support Units (**BU/SUs**) in the way they report and discuss their Non-Financial Risks (**NFRs**) and risks arising from inconsistencies across the Program.

With respect to the latter risk this Report highlights, in particular, the challenges remaining in Recommendation 12, which requires CBA to strengthen its management of NFRs. A second challenge, that relates to both aspects of consistency, is the level of difference between BU/SUs in terms of the maturity of their 3LoA operating models. This challenge came into sharper focus during the Reporting Period. Areas of the 3LoA model that will require close attention in the periods ahead include: completing the transfer of accountability for NFRs and NFR activities within Line 1 from the CCO function to the business; agreeing the long-term operating model for the CCO functions; rebuilding risk ownership on an end-to-end basis; and implementing a consistent model for Line 2 assurance. These will be pivotal to closing Recommendation 9.

In developing its thinking about both of these aspects of consistency during the Reporting Period CBA sought to clarify exactly what they should expect of consistency. Importantly, their deliberations focused on the objective of achieving consistency of outcomes, rather than consistency of processes. We agree that achieving consistency of outcomes does not necessarily mean that all BU/SUs need to implement every Recommendation in an identical manner. The challenge for the period ahead will be identifying those areas in which consistency through standardisation of processes is critical, and those where flexibility may produce better outcomes.

As part of its approach to addressing the challenge of sustainability CBA began, during the Reporting Period, considering how to better balance simplicity and timeliness. We see this as a positive development, although the Program will need to strike an appropriate balance between those simplifications that are needed to finalise the RAP on schedule, and those that are better delivered through continuous improvement initiatives that will help sustain the objectives of the RAP after it has been closed.

Beyond the three core challenges we continue to highlight data quality as a key risk to successfully achieving the intended outcomes of the Program. Our sample testing of data quality during the Reporting Period reinforced

our concern that there is still much to be done to ensure that the NFR framework is underpinned by reliable information and metrics.

To date, CBA has made good progress in addressing the challenges that we highlighted in our Previous Reports. Nonetheless, the greatest challenges still lie ahead. The Program must maintain an unwavering focus on addressing the challenges set out above if it is to successfully deliver the RAP.

# 1. Introduction

## 1.1. Background

On 28 August 2017, APRA announced a Prudential Inquiry to examine whether governance, culture and accountability practices at CBA had contributed to a series of incidents that had led to adverse publicity and regulatory scrutiny (**Inquiry**).

In its final Report in May 2018, the Inquiry identified a series of shortcomings and made 35 Recommendations to address those shortcomings.

In conjunction with the release of the *Prudential Inquiry into the Commonwealth Bank of Australia (CBA) Final Report* (the **Inquiry Report**), APRA accepted an EU offered by CBA. The EU required CBA to develop the RAP to address the *Inquiry Report* Recommendations (the **Inquiry Recommendations**).

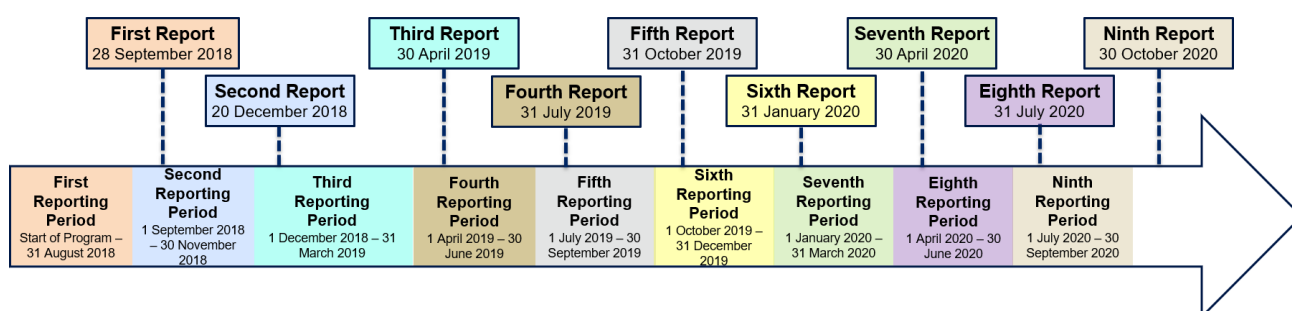
CBA engaged Promontory as the Independent Reviewer to monitor CBA’s execution of the RAP and to assess the effectiveness of the actions taken to address the Inquiry Recommendations as required under the EU. APRA confirmed the appointment on 29 June 2018.

As Independent Reviewer, Promontory is required to report to APRA on a quarterly basis on the status of compliance with the EU and the Milestones<sup>8</sup> in the RAP that CBA considers are nearing completion. Our Reports have described these matters as at the last day of the month before the Report is due to be delivered.

This is our Ninth Report. It covers the period 1 July 2020 to 30 September 2020 (the **Reporting Period**). The status of Milestones and other Program developments are reported as at 30 September 2020 (the **Reporting Date**).

Our Reports and the periods they covered are set out in Figure 1.1 below.

**Figure 1.1: Timeline of Report Delivery and Reporting Periods<sup>9</sup>**



Further details about the background to our engagement is set out in Chapter 1 of the First Report.

<sup>8</sup> Milestones are the actions CBA intends to take to address the Inquiry Recommendations.

<sup>9</sup> The Reporting Period for the Third Report was one month longer than for other Reports. This change was made to align the Reporting Date with the end of each calendar quarter, when a significant number of Milestones are generally due.

## 1.2. The Remedial Action Plan

As described in Chapter 2 of the First Report, the RAP organises the Inquiry Recommendations into the following eight themes (**Themes**):

- Board Governance;
- Management Governance;
- Operating Model (3LoA);
- Risk Appetite, Taxonomy and Standards;
- Accountability and Controls Delivery;
- Customer Outcomes;
- Culture, Capability and Consequences; and
- Program Execution.

The RAP describes actions in relation to each Recommendation as either Design, Implement or Embed Milestones.

CBA is delivering the RAP through a program of work (the **Program**) comprising nine work streams. The work streams correspond to the eight Themes noted above and include an additional work stream (Enabling Systems, Data and Reporting) with responsibility for managing and overseeing technology, analytics and data support across each of the Themes<sup>10</sup>. The Program is managed by a central team (the **Central RAP Team**) supported by a network of Execution Leads, BU/SU CCOs and other staff across CBA.

As described in our First Report, once CBA considers it has completed a Milestone, the Central RAP Team delivers a Closure Pack to Promontory that includes artefacts evidencing Milestone completion. This practice has remained unchanged.

As initially designed, the RAP contemplated 154 Milestones. 23 Milestones were added and one was removed during previous Reporting Periods. One additional Milestone was added during this Reporting Period<sup>11</sup>. There are now 177 Milestones.

Changes to the Due Date, Execution Lead and Closure Criteria, were also made to eight Milestones and Recommendations during the Reporting Period. Promontory endorsed each of the changes. Further information on these changes is set out in section 2.1.

The number of Milestones now due for delivery to Promontory by the Reporting Date for each report is set out by Theme in Table 1.1 below.

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<sup>10</sup> No Milestones have been assigned to this work stream.

<sup>11</sup> Milestone 35.3b was added during the Reporting Period. The details of this change are set out in Chapter 10.

**Table 1.1: Number of Milestones Scheduled to be Delivered by Reporting Date and Theme**

Reporting Date	Number of Milestones Scheduled to Be Delivered								Total
	Board Governance	Management Governance	Operating Model (3LoA)	Risk Appetite, Taxonomy & Standards	Accountability and Controls Delivery	Customer Outcomes	Culture, Capability & Consequences	Program Execution	
August 2018	0	0	0	2	0	1	2	0	5
November 2018	2	5	1	2	0	1	3	3	17
March 2019	9	7	3	4	4	4	10	6	47
June 2019	1	1	0	2	0	1	1	0	6
September 2019	1	1	0	0	0	0	4	2	8
December 2019	3	2	4	2	3	3	5	2	24
March 2020	0	3	1	0	1	0	5	3	13
June 2020	1	0	0	3	2	3	9	1	19
September 2020	2	0	0	3	1	1	5	6	18
December 2020	1	0	2	0	1	1	6	3	14
March 2021	0	0	0	1	1	1	0	0	3
June 2021	0	0	0	1	0	0	0	2	3
<b>TOTAL</b>	<b>20</b>	<b>19</b>	<b>11</b>	<b>20</b>	<b>13</b>	<b>16</b>	<b>50</b>	<b>28</b>	<b>177</b>

The number of Closure Packs in relation to Recommendation Closure now due for delivery to Promontory by the Reporting Date for each report is set out by Theme in Table 1.2 below.

**Table 1.2: Number of Recommendation Closure Packs Scheduled to be Delivered by Reporting Date and Theme**

Reporting Date	Number of Recommendation Closure Packs Scheduled to Be Delivered								
	Board Governance	Management Governance	Operating Model (3LoA)	Risk Appetite, Taxonomy & Standards	Accountability and Controls Delivery	Customer Outcomes	Culture, Capability & Consequences	Program Execution	Total
March 2020	1	1	0	0	0	0	1	0	3
June 2020	1	1	1	0	0	1	0	0	4
September 2020	2	2	0	1	0	1	4	4	14
December 2020	1	1	0	1	2	1	9	3	18
March 2021	0	0	1	1	0	0	0	0	2
June 2021	0	0	0	1	1	1	0	1	4
<b>TOTAL</b>	<b>5</b>	<b>5</b>	<b>2</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>14</b>	<b>8</b>	<b>45</b>

While the *Inquiry Report* made 35 recommendations, the RAP splits some of these into multiple parts, resulting in 45 Recommendations in total. For instance, Inquiry Recommendation 24 has been split into three parts for the RAP (Recommendations 24a, 24b and 24c). In our Previous Reports we have reported on the status of each part of such Inquiry Recommendations individually. While we will continue to report on the status and assessment outcomes of each part of an Inquiry Recommendation that has been split into multiple parts, the relevant Inquiry Recommendation will only be considered to be wholly submitted and wholly closed once a Closure Pack for each part has been submitted and assessed as closed, respectively. This is in line with the approach being taken by CBA.

Further information on the RAP and CBA’s approach to executing it is set out in Chapters 2 and 3 of the First Report.

### 1.3. Promontory’s Independent Reviewer Activities

Our activities and approach during the Reporting Period continued as described in Chapter 4 of the First Report.

We continued to monitor CBA’s progress in executing the RAP through weekly verbal updates on the status of the Program and by reviewing Program status reports to understand project delivery risks and issues.

During the Reporting Period, we participated in weekly project management meetings with representatives of the Central RAP Team, and meetings on various Milestones to walk through and discuss the artefacts provided to us.



We attended, as observers, regular Program governance meetings, including:

- Three meetings of the monthly RAP Governance Forum.
- Three meetings of the monthly BU/SU Delivery Governance Forum.
- Three meetings of the monthly Planning and Dependencies Management Forum.
- Five meetings of the weekly Cross-Stream Scrum.

We also attended the following meetings with a view to understanding the progress being made in implementing and embedding the outcomes of the RAP in each BU and SU:

- The Non-Financial Risk Committee (**NFRCs**) of the Business Banking (**BB**), Enterprise Services (**ES**), Human Resources (**HR**), Institutional Banking and Markets (**IB&M**), Legal and Group Governance (**L&GG**), Marketing and Corporate Affairs (**MCA**), Office of the Deputy Chief Executive Officer (**ODCEO**), Retail Banking Services (**RBS**), and Risk Management (**RM**) BU/SUs as observers.
- The Product Governance Forums of BB, IB&M and RBS.
- Interviews with the Group Executive (**GE**) and CCO of ES, HR, IB&M, ODCEO, L&GG and MCA.
- Interviews with the BU/SU Chief Risk Officers (**CROs**) of ES, L&GG, MCA and ODCEO.

We also participated in the following briefings and updates:

- A reflections session, with members of the Central RAP Team, BU/SU CCOs and CROs, Execution Leads and Executive General Managers (**EGMs**) from across the Group, to reflect on the content of our Eighth Report. This was the seventh such session in which we have participated.
- An additional session with members of the Executive Leadership Team (**ELT**) to discuss the content of our Eighth Report.
- An interview with the Chief Executive Officer (**CEO**) to discuss CBA's progress in implementing the RAP in relation to several specific Recommendations.
- Several meetings between APRA and CBA to discuss topics such as the value chain approach, and to deep dive on certain businesses within CBA.
- Several meetings with APRA to discuss topics such as risk culture and remuneration.
- Two Better Bank Leadership Offsites (**BBLOs**) where the refreshed CBA values were presented and discussed, and a separate briefing on the refreshed values.
- The Playback component of the RAP Forward-Look Session and the RAP/Independent Reviewer reflections session in which several of the challenges to successfully executing the RAP were discussed.
- A meeting on Sustainability Plans in which we discussed the role and content of these plans with the Central RAP Team.

- The Central Regulatory Forum, the Emerging Risks Forum and the Complaints Governance Forum as observers.
- Two meetings with Group Audit and Assurance (**GA&A**), in which their observations on Program management and their audits of Program outcomes were discussed.
- Two meetings with the RAP CRO to discuss the operating model for the Program's Line 2 function.
- Two meetings with the Group CCO to discuss the implementation of the RAP in the BU/SUs and the role played by the BU/SU CCOs.
- Briefings on the Drop Process<sup>12</sup> and Program-related communications.

As noted in our Seventh and Eighth Reports, our participation in these meetings has generally remained remote, as a result of the changes in work practices necessitated by the COVID-19 Pandemic (the **Pandemic**).

We also participated in one tripartite meeting with CBA and APRA representatives during the Reporting Period. We met separately with APRA representatives to discuss the status of compliance with the EU, and risks and issues we were identifying through our monitoring and assessment work.

During the Reporting Period, we continued to assess whether Milestones had been completed in line with the Closure Criteria and whether activity to close each Milestone provided a sound basis for achieving the Target State for the Recommendation to which the Milestone relates. The assessments continued to involve reviews of the Closure Packs and reviews of additional evidence, interviews and phone calls with staff engaged in Milestone delivery and on-site reviews of confidential documents.

In a number of cases, we actively challenged whether the actions described in the Closure Packs provided a sound basis for achieving the Target State.

In some cases, following our challenge, the Program made changes in its approach.

Of the 14 Milestones closed during the Reporting Period, in 10 cases, our assessment that a Milestone was complete and effective was made on the understanding that aspects of the assessment would be reviewed at the Embed or Recommendation Closure Phases associated with the Recommendation.

Through the Program we have taken an average of around 12 weeks to assess a Milestone as complete and effective after a Closure Pack is delivered. The quickest assessments took just over one week (for Milestone 14.2 and Milestone 35.1a). The longest assessment (which was delayed due to the need to consider evidence that became available around the time that the final Embed Milestone for that Recommendation was delivered) took just under 54 weeks (for Milestone 12a.6).

This Report sets out, by Theme, our observations and findings in relation to our monitoring and assessment activity during the Reporting Period, including the outcomes of our challenges.

We summarise the Program's progress in completing each Milestone at the Reporting Date using the Reporting Scale set out in Table 1.3: Reporting Scale.

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<sup>12</sup> Although this meeting took place two days after the Reporting Date it focused on developments during the Reporting Period.

**Table 1.3: Reporting Scale**

Indicator	Description of Progress
○	Work to deliver Milestone or Recommendation has not commenced
◐	Work to deliver Milestone or Recommendation has commenced but has not yet been completed
◑	Work to deliver Milestone or Recommendation has been completed by CBA but Promontory’s assessment has not yet commenced
◒	Promontory’s assessment of the Milestone or Recommendation has commenced but has not yet been completed
●	Milestone has been assessed by Promontory as complete and effective or Recommendation has been assessed as closed
⦶	Milestone has been closed but not assessed by Promontory as complete and effective

Further information on our approach is set out in Chapter 4 of the First Report.

## 1.4. Report Structure

The remainder of this Report is structured as follows:

- **Chapter 2** summarises Program progress as at the Reporting Date, key developments in the Program during the Reporting Period, our observations on how the Program is being managed (both centrally and at the BU/SU level), and the areas on which the Program should focus moving forward.
- **Chapters 3 to 10** report Milestone and Recommendation progress for each Program Theme and describe the outcomes of the Milestone and Recommendation assessments we completed during the Reporting Period.

## 2. Program Developments

During the Reporting Period CBA remained strongly committed to addressing the Inquiry Recommendations and embedding its new approach to NFR management.

During the Reporting Period:

- The Program continued to make sound progress, and is now at a stage where it must deal with the some of the most challenging Recommendations to close.
- All Milestones associated with the Management Governance Theme had been assessed as complete and effective.
- The Recommendation Closure Packs for 21 Recommendations had been submitted.
- CBA developed its thinking about, and approach to mitigating risks associated with, the key challenges raised in our Eighth Report.
- The risk of insufficient capacity and capability to resource the execution of the RAP, which we highlighted in our Eighth Report, began to crystallise, although significant progress towards resolving this challenge was also made by CBA.
- CBA spent time sharpening its approach to 3LoA, most notably in balancing the division of responsibilities between the CCO function and the business.
- The Program continued to make good progress in addressing identified areas of inconsistency, with the result that the remaining areas of inconsistency are now focused on a few specific Recommendations.

Much still remains to be achieved in the final stretches of the Program.

CBA must continue to think about how it can best ensure that the frameworks and processes embedded through the RAP provide a strong platform for sustaining the objectives of the RAP going forward; that is, for the Program to build the right bridges between the RAP and 'life after the RAP'.

Identifying those areas in which consistency through standardisation is critical and those where flexibility may produce better outcomes, should also be a key focus of the Program in the period ahead.

This Chapter starts with a high-level overview of CBA's progress in implementing the RAP during the Reporting Period. We then comment on the following:

- key Program developments during the Reporting Period;
- ongoing challenges and risks the Program faces; and
- areas for Program focus.

### 2.1. Program Progress

As at the Reporting Date, 176 of the 177 Milestones that make up the RAP were on-track. One Milestone, Milestone 9.5, was not on-track for completion by the Due Date set out in the RAP. The reasons for this, and

the actions the Program is taking to bring progress on the Milestone back on-track, are set out in section 5.1. Aside from Milestone 9.5, the Program remained on-track for all other Milestones and Recommendations to be completed by the Due Dates set out in the RAP.

During the Reporting Period, the Program submitted Closure Packs for 18 Milestones:

- The Closure Packs for six Milestones (three Implement Milestones and three Embed Milestones) were submitted in late July 2020.
- The Closure Packs for two Milestones (one Implement Milestone and one Embed Milestone) were submitted in late August 2020.
- The Closure Packs for 10 Milestones (one Implement Milestone and nine Embed Milestones) were submitted in late September 2020.

Closure Packs for all Milestones were submitted before the relevant Due Dates set out in the RAP.

At the Reporting Date the Program was working on the two remaining Implement Milestones and 18 remaining Embed Milestones.

During the Reporting Period, Promontory assessed 14 Milestones (eight Implement Milestones and six Embed Milestones) as complete and effective. The Closure Packs for these Milestones were submitted in the Seventh and Eighth Reporting Periods.

Of the Milestones we assessed as complete and effective during the Reporting Period:

- 10 were Culture, Capability and Consequences Theme Milestones (Milestones 22.3a, 24b.2b, 25a.3, 25b.3, 26.3, 27.2b, 28.2b, 29.2b, 30.2a and 30.2b)<sup>13</sup>;
- two were Management Governance Theme Milestones (Milestones 7.6 and 8.3)<sup>14</sup>;
- one was a Board Governance Theme Milestone (Milestone 4.4)<sup>15</sup>; and
- one was a Program Execution Theme Milestone (Milestone 35.2a)<sup>16</sup>.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, 129 Milestones (57 Design Milestones, 57 Implement Milestones and 15 Embed Milestones) had been assessed and closed as complete and effective. One Implement Milestone had been closed, but not assessed as complete and effective (see section 1.3 of our Fifth Report for further details).

As at the Reporting Date, all Milestones under the Management Governance Theme had been assessed as complete and effective.

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<sup>13</sup> See discussion in section 9.2 below.

<sup>14</sup> See discussion in section 4.2 below.

<sup>15</sup> See discussion in section 3.2 below.

<sup>16</sup> See discussion in section 10.2 below.

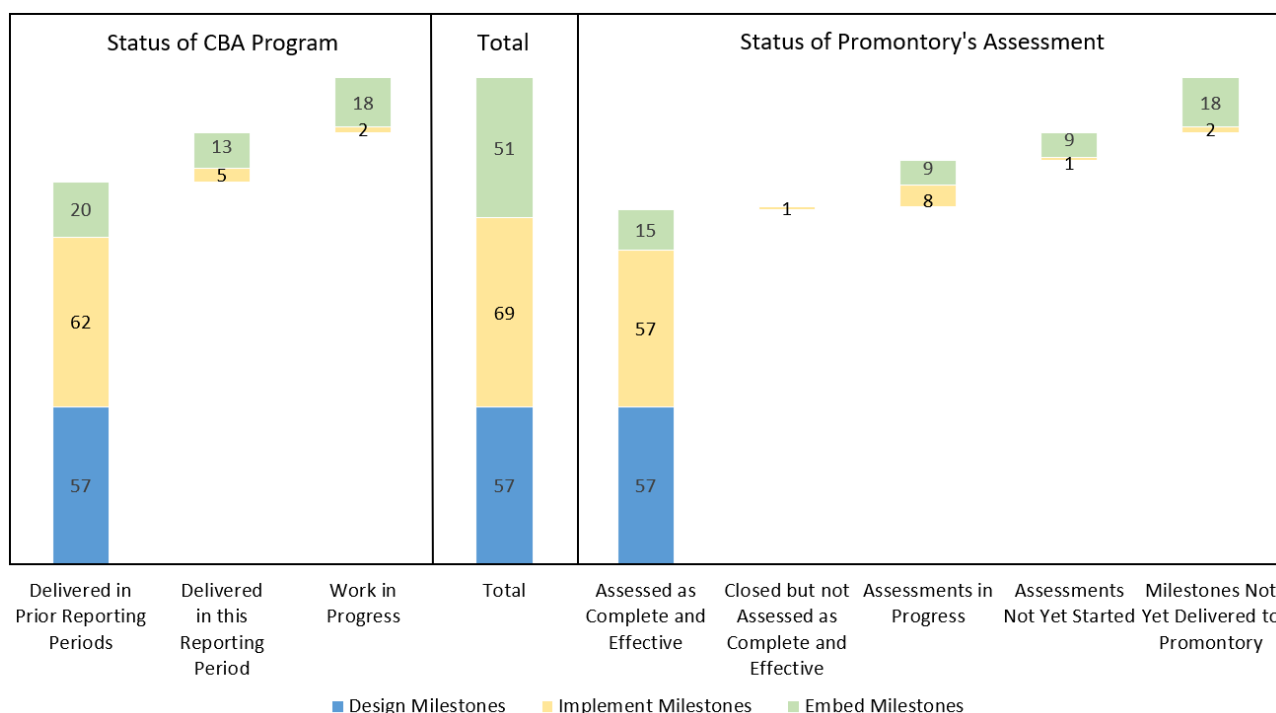
Each of the Milestones assessed as complete and effective provides, in our view, a sound basis for achieving the Target State for the Recommendation to which it relates. Together these Milestones are well positioned to provide a sound basis for achieving the Program’s overall objectives on an ongoing basis.

In some Milestones, certain approaches to implementation and sustainability measures were, however, not fully mature at the time of assessment. We have, therefore, foreshadowed in relation to a total of 91 Milestones (10 of which were closed during the Reporting Period) our intention to focus on particular design features, approaches to implementation or sustainability mechanisms when assessing related Milestones or Recommendation Closures.

At the Reporting Date Promontory was assessing 17 Milestones (eight Implement Milestones and nine Embed Milestones). We had not yet begun assessing the 10 Milestones (one Implement Milestones and nine Embed Milestones) delivered to us in late September.

The information above is summarised in Figure 2.1.

**Figure 2.1: Milestone Status**



As discussed in section 1.2, while the *Inquiry Report* made 35 recommendations, the RAP splits some of these into multiple parts resulting in 45 Recommendations in total. The status of the 45 Recommendations that make up the RAP is discussed below.

The Program remains on-track for Recommendations to be completed by the Due Dates set out in the RAP.

During the Reporting Period, the Program submitted Closure Packs for 14 Recommendations:

- The Closure Packs for four Recommendations were submitted in July 2020.
- The Closure Packs for 10 Recommendations were submitted in September 2020.

Closure Packs for all Recommendations were submitted before the relevant Due Dates set out in the RAP.

At the Reporting Date:

- The Program had completed work on 21 Recommendations.
- The Program was working on 24 other Recommendation Closure Packs.

During the Reporting Period Promontory assessed three Recommendations as closed. The Closure Packs for these Recommendations were submitted in the Seventh and Eighth Reporting Periods.

Of the Recommendations we assessed as closed during the Reporting Period:

- two were Management Governance Theme Recommendations (Recommendations 7 and 14)<sup>17</sup>; and
- one was a Board Governance Theme Recommendation (Recommendation 4)<sup>18</sup>.

As at the Reporting Date, in total, five Recommendations had been assessed as closed.

During the Reporting Period, we endorsed eight requests to change aspects of the RAP<sup>19</sup>. The requests related to clarifying the details of the Milestone Description, the identity of the Execution Lead, the Due Date or the Closure Criteria<sup>20</sup>. These changes resulted in the addition of one new Milestone<sup>21</sup>, and changes in the Milestone Due Dates for two Milestones<sup>22</sup> and four Recommendations<sup>23</sup>. The reason for the introduction of the new Milestone is set out in the description of progress section of Chapter 10.

## **2.2. Key Program Developments**

During the Reporting Period:

- CBA developed its thinking about, and approach to mitigating risk associated with, the key challenges raised in our Eighth Report.
- The risk of insufficient capacity and capability to resource the execution of the RAP, which we highlighted in our Eighth Report, began to crystallise, although significant progress towards resolving this challenge was also made by CBA.
- CBA spent time sharpening its approach to 3LoA, most notably in balancing the division of responsibilities between the CCO function and the business.

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<sup>17</sup> See discussion in section 4.3 below.

<sup>18</sup> See discussion in section 3.3 below.

<sup>19</sup> RAP Change Requests are part of the formal RAP changes process set out in our First and Second Reports.

<sup>20</sup> The Changes Requests we received were made in relation to Milestones 12c.3, 12d.3, 12e.3c, and 35.3 and Recommendations 11, 12a, 12f and 16.

<sup>21</sup> Milestone 35.3b.

<sup>22</sup> Milestones 12d.3 and 35.3a.

<sup>23</sup> Recommendations 11, 12a, 12f and 16.

- The Program continued to make good progress in addressing identified areas of inconsistency, with the result that the remaining areas of inconsistency are now focused on a few specific Recommendations.
- Data quality remained a key risk to successfully achieving the intended outcomes of the Program.

In this section, we describe these key Program developments in more detail and highlight aspects of the Program that continue to warrant attention.

### **2.2.1. Board and Executive Leadership Oversight**

During the Reporting Period, the Board and ELT continued to actively oversee and engage with the Program.

The Board received one update in relation to the Program during the Reporting Period, while the ELT received three. These updates included information in relation to Program progress and status, our Eighth Report, the outcomes of the Forward-Look Session, and Drop content. The updates also discussed the actions that were to be undertaken by Executive Leaders in response to the focus areas called out in our Previous Reports, and progress on those actions.

We continued to observe strong commitment among Executive Leaders to achieving the intended outcomes of the RAP and ensuring they are sustained after the conclusion of the Program. In part, this was expressed through the progress made against the list of actions developed in response to the challenges highlighted in our Eighth Report, including work by Executive Leaders to:

- identify options to resolve resourcing challenges;
- review the maturity of the 3LoA model in some BU/SUs; and
- refine RAP Due Dates to remove tensions between the quality and timeliness of RAP deliverables.

Executive Leaders also continued to endorse monthly updates on progress in delivering the RAP. During the Reporting Period the Program status was raised to 'Red', due, in part, to challenges with implementing and embedding Risk in Change, and 'Improving Risk and Controls Self-Assessment (RCSA) for Privacy' in international branches. Executive Leaders played a key role in addressing these challenges as they oversaw the development of 'go-to-green' plans and monitored their progress.

During the Reporting Period, members of the ELT continued to issue communications across the Group that reinforced the importance of the Program and set the tone from the top. For example, communications from Executive Leaders highlighted the benefits associated with achieving the intended outcomes of the RAP. We also observed Executive Leaders reinforce the importance of Line 1 owning risk on multiple occasions during the Reporting Period.

Executive Leaders began to be more directly involved in addressing Program risks and issues during the Reporting Period. We expect the importance of GE involvement and leadership to continue to grow as the end of the Program draws closer. In particular, we expect GEs to play an increasing role in addressing challenges as the Program tackles some of the most difficult and complex components of the RAP.



## 2.2.2. Program Governance

The governance forums associated with the Program, such as the RAP Governance Forum, BU/SU Delivery Governance Forum, Planning and Dependencies Management Forum, and the Cross-Stream Scrum, have all now reached a level of maturity that should enable them to operate effectively through to the end of the Program.

One indicator of this maturity was the adaptability of each forum's agenda. During the Reporting Period, the focus of the RAP Governance Forum's agenda adapted to accommodate the changing circumstances of the Program. In particular, the focus of the forum shifted to address the issues driving the Program's 'Red' status, such as the roll out of the Improving RCSA for Privacy in international branches. This adaptability is indicative of a maturing of the approach to Program governance into one that is more focused on outcomes than on processes.

During the Reporting Period we observed the following:

- A strong emphasis on prioritising quality outcomes over timeliness across all governance forums. Program governance forums were often initiated with a reminder that quality takes precedence over timeliness and, where tensions between the two arose, we observed a willingness to resolve them in favour of quality.
- As noted in our Eighth Report, the Central RAP Team continued to effectively co-ordinate Program governance forums and maintain the focus of meeting participants on key risks and issues. During the Reporting Period we also observed the discussion of key themes being driven increasingly by staff from outside the Central RAP Team. We expect this trend to continue as the Program transitions to business-as-usual (BAU).
- Participants in governance forums engaged in constructive challenge. This constructive challenge is vital to ensuring that the Program achieves and sustains the intended outcomes of the RAP.
- The Program continued the practice of reflecting on what is working well and what could be improved in relation to the operation of governance forums at the end of each meeting. These reflections led to improvements such as adjustments to the Change Request process.

During the Reporting Period, Program governance forums worked together effectively to monitor Program progress and, where issues were identified, to ensure that they are addressed through 'go-to-green' plans. As a result, the Program continued to identify and address issues with the speed and agility that it had demonstrated in past Reporting Periods.

In our Eighth Report we noted that one of the critical functions of the BU/SU Delivery Governance Forum is to provide a venue for sharing BU/SU experiences in implementing the RAP. During the Reporting Period we observed an appreciable increase in focus on BU/SU experiences during forum meetings. Discussion in these meetings focused on delivery risks faced by the Program at a BU/SU level, including resourcing constraints and the CCO operating model. We also saw evidence of BU/SU-specific insights being leveraged to address areas of inconsistent progress. We expect the forum to continue to operate in this fashion through to the end of the Program.

### 2.2.3. Program Delivery

During the Reporting Period we observed:

- That, in some BU/SUs, the division of responsibilities between the CCO function and the business lacked clarity, which poses a risk to the Program's continued success. As a result, CBA spent time sharpening its approach to 3LoA, with a particular focus on the CCO function.
- An increased level of focus on preventing and addressing inconsistent implementation of the Program.
- Further progress being made on defining the role of Sustainability Plans, and mechanisms for reviewing their effectiveness after the Program ends.

#### Forward-Look Session

Towards the end of the Reporting Period, Program stakeholders participated in a session aimed at addressing concerns raised in our Eighth Report. The main focus of the session was the challenges posed by the need to achieve quality, consistency, and sustainability in order to successfully complete the Program.

Importantly, the session first explored what these three terms actually meant in the context of the RAP.

The tension between quality and timeliness of RAP deliverables was linked in the first instance to resource constraints. The discussion, however, recognised that resourcing is about more than just capacity. It is fundamentally about capability and using available resources more effectively. Discussions looked to the need for better prioritisation of activities, the need to simplify processes wherever practicable, and the need for better use of automation in improving efficiency.

CBA discussed the following with respect to consistency during the Forward-Look Session:

- There are some areas where standardisation (consistency) is still paramount. These include reporting, especially where the metrics reported to one committee are aggregated in reporting to another committee, and the 3LoA operating model.
- Simplification is fundamental to promoting consistency. However, it was agreed that changes to the existing standards and procedures would need to be limited to material changes that would have a clear benefit. Put differently, it was agreed that there was no positive value, and possibly considerable risk, in 'tinkering' for the sake of tinkering, especially while new standards and processes were still being embedded.
- Automation and simplification of data and data collection have a role to play in promoting consistency.

Sustainability is arguably the most important of the three challenges. Unless the outcomes of the RAP are sustained beyond the finalisation of the Program, the entire Program will have been for nought. The Forward-Look Session emphasised the distinction between outcomes and processes, and the importance of elevating the former above the latter.

CBA discussed the following with respect to sustainability during the Forward-Look Session:

- The criticality of winning the 'hearts and minds' of the business in relation to the overall outcomes of the Program rather than specific Milestones.

- The importance of clarifying the division of responsibilities between the CCO function and the business, and the importance of ensuring that risk is owned by the business, not just in silos, but on an end-to-end basis.
- The need for the Program to provide the business with simple, practical tools for managing their day-to-day risks.

Provided the themes and targeted action plans of the Forward-Look Session are carried through, it is likely that the Forward-Look Session will be seen in hindsight as a critical moment in CBA's journey to NFR management maturity.

The three challenges of quality, consistency, and sustainability are considered further in section 2.3 below.

### Drop Process

During the Reporting Period the Program was engaged in activities across a number of Drops. In particular:

- Evidence was collected in relation to Drop 8 activities. The focus of Drop 8 was described as 'Embedding our Risk Accountabilities'. Drop 8 activities included the roll out of the Obligations Management Standard, commencing the Control Assessment Program (**CAP**) Standard Test and Learn process, implementation of actions to embed the 3LoA model in BU/SUs, and progressing implementation of version 6 of the Group Delivery Framework (**GDF**). Drop 8 also included activities associated with other Critical Risk Priorities.
- Drop 9 was implemented. The focus of Drop 9 was described as 'Enabling Better Management of Product Obligations and Privacy'. Activities under Drop 9 included Improving RCSA for Privacy activities, the roll out of a number of policies, standards and procedures, and the annual Operational Risk and Compliance (**OR&C**) capability assessment.
- Preparation was underway for Drop 10, to be launched in the next Reporting Period. The theme for Drop 10 is described as 'Enhancing Our Risk and Control Environment'. Late in the Reporting Period the ELT endorsed the scope of Drop 10. Drop 10 will include further Improving RCSA for Conduct activities, and the roll out of the CAP Standard and Procedure. At this stage, Drop 10 is expected to be the last Drop to include RAP-related items.

Only minor amendments were made to the Drop Implementation Guide for Drop 9 during the Reporting Period. This was in part due to the level of clarity that the BU/SUs were able to gain about the content of the Drop as a result of its socialisation during the preparation phase of Drop 9.

During the Reporting Period the Program continued to introduce new technologies to support the Drop Process. For example, Microsoft Teams has been incorporated into the Production Scrum, which is a regular meeting between the Drop Team and subject matter experts to track the development of supporting content for Drop implementation. The introduction of Microsoft Teams has improved the Program's ability to track the status and ownership of production items, disseminate meeting summaries, and collaborate on documents. The Program is also considering introducing Microsoft Teams into other aspects of the Drop Process, including the 'go/no go decision' and seeking feedback.

Other innovations were introduced into the Drop Process during the Reporting Period, including:

- Additional time was allocated during regular meetings to allow BU/SUs to discuss and test their assumptions on resource forecasting with other BU/SUs.
- A summary document setting out the evidence that needs to be gathered with respect to each scope item in a Drop.
- Elements of the Program narrative were incorporated into the Drop 10 launch email, which is also being used by BU/SUs internally.

The efficiency and simplicity of Drop implementation was a focus for the Program during the Reporting Period. This focus resulted in, for example, BU/SUs building on the learnings from the implementation of Improving RCSA for Privacy under Drop 9 and applying them to Improving RCSA for Conduct. The Program also engaged across BU/SUs to facilitate the exchange of ideas on how to implement aspects of each Drop, with the aim of increasing the efficiency of the changes being made. We were encouraged to see BU/SUs sharing their experiences in implementing the RAP, which is also likely to support the consistency of outcomes.

In comparison to previous Drops, the RAP-related content of Drop 10 is more narrowly focused. While the number of scope items may be lower, the effort required to execute them is in line with, if not more significant than, that required in previous Drops. The items to be completed as part of Drop 10 are also critical to the success of the RAP.

Early consultations with BU/SUs during the Reporting Period surfaced concerns around the timing of the Improving RCSA for Conduct component of Drop 10. In view of planned leave associated with the end-of-year holiday period, some BU/SUs expected to face capacity issues with the finalisation of this component of the Drop. As a result, the Program pushed the deadline for Improving RCSA for Conduct back to February next year in order to ensure that this important component of the RAP can be completed to a high level of quality.

Since its inception early in the Program, the Drop Process has been a highly effective mechanism for delivering the RAP across the Group. This effectiveness has resulted in the Drop Process becoming critical to the success of the Program to date. In particular, the early visibility of upcoming RAP content given to BU/SUs through the Drop Process has allowed the Program to adapt to accommodate the idiosyncrasies of individual BU/SUs, while still ensuring a level of consistency. Given the success of the Drop mechanism, we see scope for it to be applied to delivering changes beyond the Program and the Critical Risk Priorities.

#### Chief Controls Officers

BU/SU CCOs continue to play a critical role in delivering key aspects of the RAP into their BU/SUs on a consistent and sustainable basis.

To perform this role effectively, the work of each CCO must be underpinned by work completed by the broader business.

During the Reporting Period we observed in some BU/SUs a lack of clarity over the division of certain responsibilities between the CCO function and the business. In some cases, CCOs did not appear to be as well supported by certain areas of the business as is envisaged by the underlying 3LoA model. In these cases it appeared that the business may have been leaning too heavily on the CCO team to deliver aspects of the RAP into the BU/SU, thereby exacerbating resourcing constraints in some CCO teams.

As noted in our Eighth Report, it is important that CCOs do not become seen by the business as simply taking on the roles previously played by Line 2. While the CCO function plays a key role in supporting and guiding the business in executing the RAP, and managing NFR more broadly, ownership of risk and responsibility for realising and sustaining RAP outcomes should sit clearly with the business.

During the Reporting Period CBA spent time sharpening its approach to 3LoA, in part prompted by the challenges discussed above. In particular, CBA began a process of assessing whether the CCO function is operating as originally intended and reviewing where responsibility for realising RAP outcomes best sits within the BU/SUs.

As noted in the *Inquiry Report*, effectively designing, implementing, and embedding the responsibilities of each Line is an area where CBA has had difficulty. While CBA is not unique in this respect, the momentum around and commitment to the Program has created an excellent opportunity for it to effectively address this challenge.

Some progress was made in addressing inconsistencies in the 3LoA operating model during the Reporting Period. The role of the CCO was discussed during the Forward-Look Session, and CBA is now considering opportunities to standardise and centralise some CCO activities. The ELT also discussed CBA's progress in embedding the intended 3LoA model during the Reporting Period, with a focus on ensuring the model is effective in those BU/SUs that are less mature.

CCOs continued to display an appropriate level of 'chronic unease' about the risks and issues faced by the Program, particularly in relation to the extent and speed of the changes being made. As noted in Previous Reports, CCOs have a key role to play in combating change fatigue, which is the risk that staff involved in implementing the Program begin to focus on simply getting changes 'over the line' instead of implementing changes in a consistent and sustainable way. Now that the initial impact of the Pandemic has subsided, the risk of change fatigue risk has become less acute. Nonetheless, CCOs must remain vigilant in ensuring that the changes being made by the Program can be absorbed into their businesses, and the intended outcomes of the RAP are sustained.

During the Reporting Period attention was given to the role of the Group CCO in ensuring that RAP outcomes are sustained. The Group CCO is well placed to monitor whether RAP outcomes are being sustained and to resolve issues where they are not. This was reflected in a proposal to give the Group CCO greater oversight over the application of Sustainability Plans; this is discussed further in the Sustainability section below.

We also see the Group CCO, and the BU/SU CCOs more broadly, as having an important role to play in ensuring that NFR data are accurate, especially in relation to the data contained in RiskInSite (**RiS**).

### Consistency

We observed an increase during the Reporting Period in the frequency and quality of discussions about consistency, culminating in the deeper reflections of the Forward-Look Session discussed above.

While all areas of the RAP require a degree of consistency, some areas, such as reporting, data quality and the 3LoA operating model, demand a higher level of consistency than other areas.

While we continued to observe some inconsistencies in these areas, the Program, and broader Group, made progress in addressing those inconsistencies during the Reporting Period. For example a study was recently initiated by the Group CCO to analyse the time spent by BU/SU CCO teams on different activities and determine the extent to which there are material divergences in approach.

In relation to consistency of reporting, the Customer Advocate also shared examples of high-quality complaints reporting among the Product Governance Forums. More generally, we were encouraged by the extent to which those BU/SUs that have bedded down their NFR practices and mechanisms are extending assistance and advice to those who are lagging behind.

As the Program moves further into the Embed and Recommendation Closure Phases, identifying and addressing inconsistencies in the outcomes being achieved by the Program take on increasing importance. A greater level and targeted focus of assurance over inconsistent outcomes in BU/SUs in relation to key Recommendations may help to identify consistency issues early, so they can be quickly rectified.

### Sustainability

We consider the work the Program is doing to ensure its outcomes are sustained once they are achieved to be of the same level of importance as the work it is doing to ensure that those outcomes are successfully achieved as part of the RAP.

During the Reporting Period CBA made progress in acquiring a fuller understanding of what sustainability involves. As noted above, Program stakeholders discussed how sustainability could best be achieved during the Forward-Look Session. In addition to furthering its understanding of what sustainability involves, CBA made good progress during the Reporting Period on the practical issue of the role of Sustainability Plans after the end of the Program.

As noted in our Previous Reports, we believe there is merit in maintaining Sustainability Plans until evidence of their operational effectiveness has been established. While, in general, we expect all mechanisms designed to maintain the Target State to be operating effectively as part of BAU before a Recommendation is closed, where evidence of the Target State being sustained is dependent on a particular activity cycle that will not be completed within a reasonable period of time, we expect CBA to monitor whether the Target State is indeed being maintained across the full cycle.

During the Reporting Period it was agreed that the Group CCO will monitor the application of Sustainability Plans to ensure that the Target State is maintained. While CBA is still clarifying the details of this arrangement, the Group CCO's oversight of Sustainability Plans is likely to involve:

- A risk-based approach, with a lower level of monitoring over Sustainability Plans where there is a solid body of evidence that the Target State is being sustained, and a higher level where there is less evidence.
- Review by the Group CCO of:
  - whether the controls documented in the Sustainability Plans remain appropriate;
  - evidence that the review mechanisms, such as Line 2 assurance, that are documented in the Sustainability Plans are being completed;
  - whether the scope of those reviews is adequate;
  - evidence, including additional testing, to validate the findings of the reviews; and
  - whether the response from management to address review findings is adequate.
- Reporting to ELT on the results of the monitoring undertaken.

We welcome the heightened attention the Program is giving to how best to ensure that the outcomes of the RAP are sustained once they are achieved. We will continue to closely monitor developments in the Group CCO's approach to monitoring the application of Sustainability Plans.

#### **2.2.4. Program Management**

During the Reporting Period:

- The Central RAP Team continued to carefully monitor the status of the Program and took steps to ensure that the Program was being implemented consistently across the Group.
- Communication about the Program continued to be delivered at a high level of quality, with a focus on winning the 'hearts and minds' of staff.
- The Program took action to mitigate the risk posed by resourcing challenges that emerged in relation to the implementation of the Risk in Change Standard within ES.
- Our observations confirmed that a significant amount of work is needed to uplift data quality across a number of BU/SUs.

##### Central RAP Team

During the Reporting Period, the Central RAP Team continued to demonstrate its commitment to meeting the timeframes set out in the RAP. All Milestone and Recommendation Closure Packs were delivered on, or before, their Due Dates.

At the beginning of the Reporting Period the Central RAP Team implemented changes to the delivery structure. The eight RAP Themes were consolidated under two General Managers. The grouped Themes are:

- Board Governance, Management Governance, Operating Model (3LoA), Culture, Capability and Consequences, and Program Execution; and
- Risk Appetite, Taxonomy and Standards, Accountability and Controls Delivery, and Customer Outcomes.

Given the narrowing focus onto key Recommendations as the Program progresses through the Embed and Recommendation Closure Phases, the refocusing and consolidation of delivery resources is appropriate. Importantly, the Program has also ensured, to date, that these changes do not result in a loss of Program knowledge and experience, which remain vital to delivering quality outcomes.

The Program had a 'Red' status for a significant portion of the Reporting Period. This reflected concerns about delivery status across the Program Execution, Accountability and Controls Delivery, and Operating Model (3LoA) Themes. In particular, the status was driven by challenges with implementing and embedding key Recommendations, including Recommendation 11 and Recommendation 12e. As at the Reporting Date, the status of the Program had been upgraded to 'Amber' as a result of the progress made in addressing these issues.

The Central RAP Team has continued to play a crucial role in monitoring Program status and progress on 'go-to-green' plans. For example, the Central RAP Team used the escalation mechanism to refer several issues to



Executive Leaders during the Reporting Period, including in relation to implementing and embedding Risk in Change, and Improving RCSA for Privacy in international branches.

During the Reporting Period, the Central RAP Team liaised with BU/SUs to ensure they had appropriate capacity and capability to deliver key RAP outcomes, including Risk in Change. As at the Reporting Date, the Central RAP Team had also conducted detailed discussions with certain BU/SUs on the status of their realignments of activities from Line 2 to Line 1.

The Central RAP Team also identified and implemented several uplifts to its governance process during the Reporting Period. This included refining the QA process for Closure Packs by developing a style guide, and paying particular attention to the following when reviewing Closure Packs:

- explaining clearly how the Target State and Closure Criteria are met;
- ensuring the content is clear and simple; and
- ensuring the sustainability of RAP outcomes has been demonstrated.

The structure of the Sustainability Plans was also updated to explicitly articulate how the accountabilities, processes, controls and reporting set out in the Sustainability Plans address the Recommendation Target States.

### Communications

During the Reporting Period communication about the Program continued to meet the high level of quality and frequency described in our Previous Reports.

The Communication team has stepped up its focus on winning the 'hearts and minds' of staff. This approach is grounded in the understanding that people and culture will be key to sustaining the uplifted NFR outcomes beyond the life of the Program. As the Program continues to progress through the Embed and Recommendation Closure Phases, communications have continued to focus on recognising the extensive work done to date, while also acknowledging the amount of work that still remains.

Communications directly from Executive Leaders underscoring the importance of the Program have continued. For example, the Executive Leader of one BU/SU released a communication during the Reporting Period discussing the importance of reflecting on lessons learnt, a key element of the '5 skills' which have been discussed in our Previous Reports. Such communications demonstrate the Program's continued commitment to maintaining a robust tone from the top in support of better NFR outcomes.

An important event towards the end of the Reporting Period was the launch of CBA's refreshed values of Care, Courage and Commitment. The refreshed values were communicated to staff by Executive Leaders, including the CEO during the BBLOs, which we observed. The values refresh was motivated by a desire to move to simpler, more memorable values that complement the '5 skills'. The refreshed values should work to sharpen staff's focus on customer outcomes and to reinforce the outcomes of the RAP.

During the Reporting Period, podcasts were released covering topics such as the '5 skills', better customer and risk outcomes, and authentic leadership. The Program plans to continue producing podcasts in which senior leaders are interviewed about key themes related to the RAP. The Program also plans to recommence the 'Risk Cuppa' video series during the next Reporting Period.



The Program continued to use the overarching Program narrative, which seeks to describe how improvements to the management of NFR (as delivered through the RAP) are leading to (i) a deeper understanding of NFR accountability, (ii) enhanced knowledge of the tools to manage those risks, and (iii) increased prominence of customers' financial well-being in decision-making, product design and service. For example, during the Reporting Period, elements of the Program narrative were incorporated into Drop 10 communications.

Looking ahead, Program-related communications are likely to focus on key outcomes that are being promoted through the execution of the RAP, such as:

- improvements in customer experience and welfare;
- improvements in employee experiences working at CBA; and
- CBA's maturity in terms of NFR management.

We encourage the Program to continue to focus on winning the 'hearts and minds' of staff, and to emphasise the importance of collective accountability in future communications.

We also welcome CBA's continued transparency in publicly reporting the progress of the Program, with the publication in August 2020 of our Seventh and Eighth Reports.

### Monitoring and Addressing Resourcing Needs

We noted in our Eighth Report that resourcing constraints pose a significant risk to successfully implementing the RAP. During the Reporting Period the risk of insufficient capacity and capability to resource the execution of the RAP began to crystallise in certain BU/SUs. In particular, insufficient capacity and capability to embed certain Recommendations was a key driver of the Program's 'Red' status during the Reporting Period.

A key resourcing challenge which emerged during the Reporting Period occurred within ES in relation to the implementation of the Risk in Change Standard. Some of the factors driving this challenge were:

- The number and complexity of projects within ES.
- The need for ES to provide input into the Risk in Change assessments for other initiatives being delivered across the Group that include a technology component.
- Imbalances in the ES 3LoA operating model resulting in a large proportion of the work falling on the ES CCO team.

In this instance, the Program acknowledged the need for further time to work through these challenges and deliver the Recommendation to the appropriate level of quality. As a result, delivery of the Closure Pack for Recommendation 11 was moved from August 2020 to November 2020. The Group CRO also granted ES an exemption from the Risk in Change Standard for Category 3 initiatives until 31 October 2020. The purpose of this exemption was to give ES time to resolve the resourcing constraints and sustainably adhere to the Risk in Change Standard.

In confronting this particular resourcing challenge, the Program engaged relevant stakeholders to understand the root cause of the constraints and to develop a 'go-to-green' plan. Key actions set out in the 'go-to-green' plan included:

- Estimating resourcing needs to comply with Risk in Change requirements.

- Completing a triage of Category 3 initiatives to identify where ES involvement in Risk in Change processes for each initiative were most crucial.
- Conducting a review of ES's approach to Risk in Change with a view to identifying opportunities to improve efficiency and free up capacity.
- Liaising with Group Risk about making improvements to the Risk in Change technology tool.
- Developing a 'triage model', for future use, that included a set of criteria to help BU/SUs determine whether projects meet materiality thresholds for ES involvement.

ES also made clear its intention to continue transitioning risk accountabilities and tasks, including Risk in Change, from the CCO function to the business.

While the specific resourcing pressures were felt most acutely during the Reporting Period in ES, there was a reasonably consistent message from other BU/SUs that similar pressures were present, even if less intense. The Program should build on the learnings from the resourcing challenges uncovered in ES and draw on these not only to identify such pressures early, but also to ensure that other BU/SUs do not experience the disruptions that accompanied the resourcing constraints in ES during the Reporting Period.

During the Reporting Period, the Program continued to forecast and monitor resourcing needs across the following three activities:

- resources required in the SUs for the production of RAP deliverables;
- resources required in BU/SUs for the consumption of RAP deliverables; and
- resources required to achieve the 3LoA Target State.

BU/SUs continued to provide resource forecasts for delivering each upcoming Drop. The forecasts continued to be approved by the relevant CROs and signed off by Executive Leaders. The Central RAP Team also continued to challenge the accuracy of individual BU/SU estimates. This included, for example, robust debate around the consistency of resource forecasts across BU/SUs for Drop deliveries during relevant governance forums.

During the Reporting Period the Program also challenged BU/SUs to call out any concerns with capability to implement Drop 10. As noted above, certain BU/SUs called out concerns with the ability to deliver on the Improving RCSA for Conduct process within the set timeframe. As a result, the timeframe for this component of the Drop has been extended.

We encourage the Program to continue to carefully consider whether it has sufficient resources to ensure it is delivering high-quality and sustainable outcomes. In particular, consistent with the thinking from the Forward-Look Session, we encourage the Program to consider whether resourcing constraints are driven by capacity or capability challenges. We will continue to closely monitor how CBA draws on the lessons from recent experience and the Forward-Look Session in mitigating the risk that insufficient resources, in terms of both capacity and capability, could compromise the quality of the changes being implemented.

### Systems, Data, and Reporting

During the Reporting Period the Program continued to make progress in the Enabling Systems, Data, and Reporting work stream. As indicated in our Previous Reports, the Enabling Systems, Data, and Reporting work

stream does not have responsibility for stand-alone Milestones. Rather, the work stream monitors and supports the delivery of key initiatives that are crucial to delivering Recommendations across multiple Themes.

The Program continued to focus on the status of the Enabling Systems, Data and Reporting work stream during the Reporting Period. For instance, technology risks continued to be presented early in the RAP Governance Forum to ensure that appropriate time was devoted to discussing potential issues.

Changes to RiS, scheduled to be launched in November 2020, are intended to enable better quality data to be captured. CBA should ensure full advantage is taken of this upgrade.

During the Reporting Period work also continued on reporting dashboards, including in areas such as complaints, obligations, and issues management. Information flows up and down the organisation have improved. Executive Leaders have noted that the information being provided to the ELT NFRC is being linked more effectively to the information being provided to the Board Risk and Compliance Committee (**BRCC**) and BU/SU NFRCs. In the coming months, we will assess the synthesis of information into reports as part of our testing for Milestones associated with Recommendation 5, 12c and 17.

During the previous Reporting Period data quality emerged as a key risk to successfully achieving the intended outcomes of the Program. During the current Reporting Period we sample tested the quality of RiS data as part of assessing certain Milestones. Our observations from this testing confirmed that a significant amount of work is needed to uplift data quality. The Program has acknowledged this concern in its regular status reporting. Data quality issues have also been discussed at BU/SU NFRCs and in other fora, such as the Complaints Governance Forum.

We understand CBA is in the process of developing a framework compliance dashboard to monitor data quality by BU/SU. In addition, CBA also has a broader program of work in place to address data quality.

In our Eighth Report we noted that there was a risk that the RiS uplifts could take focus away from other work to uplift data quality required to deliver key Recommendations. During the Reporting Period, the Program continued to effectively manage this risk, and we did not observe any evidence that the focus on RiS uplifts has had a detrimental impact on the completion of RAP deliverables.

### 2.2.5. Risk and Assurance Oversight

Both Line 2 and Line 3 played an active role in reviewing and providing assurance over delivery of the RAP during the Reporting Period.

Line 2 continued to execute on its responsibilities in line with the updated operational model described in our Eighth Report. In particular:

- At the Program level, Line 2 approves delivery risks and accepts the status of the Program.
- At the BU/SU CRO level, Line 2 accepts monthly BU/SU status reports and reviews BU/SU progress in delivering the Program.
- At the Theme level, Line 2 accepts Theme Lead status reports.
- At the Drop level, Line 2 develops guidance on the assurance approach for the current and upcoming Drops, which BU/SU CROs then leverage to conduct Drop assurance.

As described in our Eighth Report, CBA's approach to assurance over the BU/SU delivery of Drop items recently transitioned from employing the use of detailed assurance templates to a guidance-based model. Given that the Embed and Recommendation Phases of the Program should see a greater focus of assurance on outcomes and sustainability, we see it as appropriate for CBA to employ a more holistic guidance-based approach, rather than the checklist template approach which may have been more appropriate during the Design and Implement Phases of the Program.

The strengthening of the CRO forum has helped improve consistency in Line 2 assurance under the new guidance approach. In addition to conducting assurance over Drop completion, Line 2 continued to provide advice to BU/SUs during the Drop Process.

During the Reporting Period the Program formalised its approach to Line 2 oversight of Colonial Mutual Life Assurance (**CMLA**). Given that the Joint Cooperation Agreement between CBA and AIA did not explicitly allow for Line 2 oversight of CMLA, a working agreement needed to be developed. Under this agreement, Line 2 oversight is conducted within AIA, and insights are shared via quarterly meetings between the ODCEO CRO and AIA. Promontory will continue to monitor whether this approach results in appropriate oversight of the RAP outcomes in CMLA.

During the Reporting Period the outcomes of the Drop 7 BU/SU CRO assurance reviews were shared with BU/SU CCOs and the Central RAP Team. The reviews that were conducted did not, in general, identify any material issues.

We will continue to meet regularly with the RAP CRO and BU/SU CROs to discuss their findings and observations on Program progress.

As in previous Reporting Periods we met regularly with GA&A to discuss their observations on Program progress. These meetings have continued to be useful opportunities to discuss the details of GA&A's involvement in the Program and to share our views on Program progress.

As the Program progresses through the Embed and Recommendation Closure Phases GA&A will produce several audits that we will consider when assessing Milestone and Recommendation Closure. Towards the end of the Reporting Period GA&A provided a high-level scope for the 3LoA Audit to be delivered as part of Milestone 9.5 in December 2020.

As noted in our Eighth Report, we will pay particular attention to GA&A's findings on the capability of those resources in Line 1 performing realigned activities, the role of Risk Stewards, and the interaction between the Lines of Accountability.

## **2.3. Ongoing Challenges and the Road Ahead**

Our overall view about the Program changed little during the Reporting Period from that set out in our Eighth Report; much has been achieved, but there is also much still to be done. Importantly, some of the remaining Inquiry Recommendations will be the most challenging to close.

Our Eighth Report called out a number of challenges that CBA will face in the Embed and Recommendation Closure Phases of the Program. In addition to the impact of the Pandemic and associated resourcing shortages, our Eighth Report called out three major challenges, namely: conflicts between the quality and timeliness of RAP deliverables, the need for consistency across both BU/SUs and the RAP, and ensuring the sustainability of Program outcomes beyond the end of the RAP. While the Reporting Period saw some of the risks associated

with these challenges start to crystallise, it was also notable for the steps taken by the Program to better understand and begin to mitigate the risks involved with these challenges.

Those steps were outlined in the sections above. This section reflects further on these challenges, the steps being taken to address them, and the risks that still face the Program. Many of the challenges we highlight below are ultimately brought about by external events or are inevitable features of a large and complex program of change. Although they must all be addressed, regardless of their geneses, CBA should keep in mind that addressing challenges arising from external events might involve different considerations and require different approaches to those associated with executing a large and complex program.

We begin with two observations:

- First, while we have identified these challenges as separable to a degree, they are, in practice, closely linked. This interlinkage is possibly clearest in the steps being taken to address them, many of which touch on more than one of the challenges.
- Second, while CBA has closed a number of Recommendations, and has others approaching closure, there is a small set of remaining Inquiry Recommendations that are not only the most difficult of the Program, but are also the areas in which the core challenges of quality, consistency and sustainability are most concentrated. In this latter category we include, in particular, Recommendations 9, 11 and 12.

These two observations will be recurring themes in our comments below.

### The Conflict Between Quality and Timeliness

Delivering quality outcomes against each Recommendation is a non-negotiable requirement of the Program. In the face of the Pandemic, CBA decided to move certain parts of the RAP to BAU, and to accelerate parts of the RAP delivery schedule. These changes, which emerged from the Second Foundational Review, were detailed in our Eighth Report.

Of the two decisions, the more surprising was the acceleration of parts of the delivery schedule. While a plausible rationale for this action was provided by CBA, we were not entirely convinced that the timetable set by the Second Foundational Review would be achievable. While some elements of the accelerated schedule have been met, and others remain on-track, a number of others have proven to be overly ambitious.

A major contributor to the conflict between quality and timeliness has been resource constraints, linked in large part to the need to respond to the impact of the Pandemic. The risks associated with these resource constraints came to a head during the Reporting Period. As noted above, the response of the Program included reconsidering a number of the Due Dates and recognising that, if the quality of delivery was to be non-negotiable, some dates were unachievable. Consequently, a number of these were pushed back.

These timing adjustments involved extensive interactions between the Central RAP Team and BU/SUs, as well as application of the Program governance mechanisms. Not only were we receptive to these adjustments, they reinforced our perception that the Program consultation mechanisms were working, and that quality was being appropriately prioritised over timeliness.

If the accelerated timetable was the more surprising element of the Second Foundational Review, the decision to remove some parts of the RAP was arguably the more challenging.

As noted in our previous report, the decision to remove certain components from the RAP was justified in some cases by coverage of the relevant issues under existing non-RAP remediation programs. In others it was justified

by the existence of well-established BAU implementation processes to continue their embedding beyond the RAP. What was clear in both cases was that CBA was still committed to meeting the expectations of the EU. The net effect was nevertheless to put the spotlight on the remaining elements of the RAP.

The Inquiry Recommendation most affected by this decision was Recommendation 12, which requires CBA to strengthen its management of OR&C. One of the most challenging parts of Recommendation 12 is the requirement that CBA must ensure that minimum standards are clearly articulated in policies and embedded across the Group. Not only is Recommendation 12 one of the most important Recommendations being addressed by the Program, it is arguably one of the most difficult. Its complexity is reflected in the fact that it has been divided into six component parts and most of these have been further subdivided. In total, there are 30 separate Milestones under Recommendation 12.

While the changes from the Second Foundational Review eased some of the pressure on Recommendation 12, the challenge remains formidable. In particular, the scale of the task of establishing minimum standards for OR&C cannot be overstated. These standards cover all NFRs and involve rebuilding CBA's entire approach to NFR identification and management. To be suitable for closure, these standards must be high quality, they must address the challenge of appropriate consistency across BU/SUs, and they must be sustainable after the end of the Program.

The pressure on the remaining standards within Recommendation 12 was intensified during the current Reporting Period by resource bottlenecks that emerged, most notably in ES. While the ES resourcing constraints were mostly concentrated in work related to Recommendation 11, which addresses Risk in Change, they also put further pressure on delivery of Recommendation 12. These pressures, which were mentioned earlier, were a key contributor to the elevation of the overall risk rating of the Program to 'Red' during the Reporting Period.

Until quite recently, CBA's approach to most elements of the Program, such as minimum standards and Risk in Change, has been to set an exceptionally high bar, to build highly detailed and complex structures around those standards, and to require all BU/SUs to implement the standard and related processes in full. Such an approach is commendable. It is also understandable, given where CBA was starting from two years ago. It nonetheless brings some material risks of its own.

Detail helps provide clear benchmarks against which to assess the quality of implementation. On the negative side, however, excessive detail can reduce compliance to a box-ticking exercise and limit the scope for staff to develop judgment, which is key to achieving the objectives of the Program. Similarly, complexity is the enemy of sustainability. Over-engineered processes and policies have a long history of being jettisoned by later generations of risk managers. Finding the balance between these risks is central, not only to successfully completing the RAP, but also to ensuring its long-term sustainability.

As mentioned in section 2.2.3, the Program devoted considerable effort during the Reporting Period to finding the right balance between these risks. The Program's response had three main elements, some of which are further developed than others. These elements were: prioritisation; simplification; and greater clarity around what consistency means in the context of the RAP.

### Prioritisation

The first element in the Program's response was prioritisation. While the minimum requirements of many of the Recommendations are likely to be achieved, and exceeded, without the need for prioritisation and, indeed, some have already been closed, this is not the case for all Recommendations. The activities being completed under



the more difficult Recommendations were judged by CBA to require some prioritisation in order to ensure the minimum requirements set out in the RAP are achieved before the end of the Program.

While the Program's approach to prioritisation is still evolving, it appears at this stage to involve both identifying areas where the implementation of the RAP has gone beyond its design, as well as taking a risk-based approach to prioritising resources.

Given that the design of these elements has been assessed as appropriate for meeting the objectives of the RAP, winding back aspects of over-implementation is a logical way of rationalising the demand on resources and improving consistency across the Program.

There is also much to be said for taking a risk-based approach to implementing and embedding standards. This approach nevertheless raises two potential risks that will need to be borne in mind by CBA as it moves further into the closing stages of the Program:

- First, given that the changes made under the Second Foundational Review were a form of prioritisation, there is an expectation that the remaining Recommendations, particularly those remaining parts of Recommendations 11 and 12, will be delivered to a high level of quality. Not only is a high level of quality required to provide a clear picture of how the remaining components will be addressed in the post-RAP period, that high level of quality needs also to be applied comprehensively, so that there is clarity about how consistently the standards are being applied across BU/SUs and risk types.
- Second, while prioritisation of risks helps keep the wheels of progress turning, it raises the question of how the de-prioritised parts of those Recommendations will be treated. This is an aspect about which we will be seeking greater clarity in the period ahead.

### Simplification

The second element of simplification is inextricably linked to CBA's understanding of what is meant by delivering 'quality'. As noted above, CBA's initial approach to most Recommendations was to set very high standards and to encapsulate those standards in policies supported by overly complex procedures. Those complexities are proving challenging to implement in relation to a number of the remaining Inquiry Recommendations, especially Recommendations 9, 11 and 12.

A number of the remaining Recommendations would benefit materially from simplification. Constructive simplification means identifying the core of the process being implemented and focusing on how to structure the process so that the outcome meets the quality required, while leaving skilled practitioners with space to make judgments where judgments are justifiable. It goes without saying that effecting constructive simplification is far more difficult than might initially be thought; it is certainly more art than science.

An important step forward on the path to constructive simplification was the re-orientation of the Central RAP Team's thinking at the Forward-Look Review Session to focus on outcomes rather than processes. A second important step at that session was recognising that attempting to simplify the approach to more than just a few of the remaining Recommendations could have the perverse outcome of over-loading the Program at this critical juncture. While some of the standards may be more complex than they should be, they are nevertheless a sound starting point.

It is important for CBA to continue thinking beyond the RAP and to recognise that perfection is not likely to be attainable by the end of the Program, if ever. What is important is that the frameworks and structures embedded through the RAP provide a strong platform for sustaining the objectives of the RAP going forward. In many

respects, recognising the need to simplify some RAP processes to ensure their sustainability, and building that simplification process into the post-RAP program of continuous improvement would work to reassure us that CBA has built the right bridges between the RAP and 'life after the RAP'.

### Consistency

The third element involved a rethinking of the meaning of 'consistency' in achieving the objectives of the RAP. Consistency is a term that has been used in various contexts throughout the RAP. It was used by us in earlier reports to highlight inconsistencies we had observed between BU/SUs in the way they were implementing different components of the RAP. Based on the principle that a chain is only as strong as its weakest link, we noted that some BU/SUs were less mature than others in the way they reported and discussed their NFRs. We encouraged BU/SUs to share experiences and practices in order to accelerate the maturity of those that were lagging.

As noted in section 2.2.3, the Program, and the broader Group, made good progress in these areas during the Reporting Period. We were particularly encouraged by the willingness of BU/SUs to share experiences and resources. Despite this progress, inconsistencies remain. For example, inconsistencies in the way Improving RCSA for Privacy, in relation to Recommendation 12e, is being implemented in international branches contributed to the 'Red' status of the Program during the Reporting Period.

An important development in the Forward-Look Session was the recognition by the Central RAP Team that achieving consistency of outcomes does not necessarily mean that all BU/SUs need to implement every Recommendation in an identical manner. Identifying those areas in which consistency through standardisation is critical and those where flexibility may produce better outcomes, should be a key focus of the Program in the period ahead.

One area in which standardisation should be non-negotiable is risk reporting and the need to establish appropriate standards of data quality. As noted in section 2.2.4, our testing of the quality of data in RiS during the Reporting Period confirmed that a significant amount of work is still needed to uplift data quality. While this is a challenge that will continue beyond the end of the Program, CBA must, in the short term, address those issues with data quality that could prevent it from successfully delivering the RAP.

Another important development during the Reporting Period in thinking about consistency was the consideration given by a number of CCOs to standardising and centralising some NFR activities. Such a move, provided it is implemented carefully, would have the advantages of reducing the pressure on resources, raising the level of consistency for those activities, and supporting their longer-term sustainability. Again, we encourage this line of thinking, but caution against attempting too much change before the end of the Program.

### The 3LoA Model

The need to think beyond the end of the Program, mentioned above in the context of simplification, is equally relevant to rebuilding the 3LoA model as required by Recommendation 9. As noted in section 2.2.3, CBA made important progress during the Reporting Period in terms of developing the long-term 3LoA operating model for NFRs. Notwithstanding this progress, some BU/SUs are more advanced than others in terms of the maturity of their 3LoA operating models. The biggest challenges with respect to the 3LoA operating model in the period ahead are:

- Completing the transfer of accountability for NFRs and NFR activities within Line 1 from the CCO function to the business. Some BU/SUs have embraced Line 1 ownership of risk completely. Others are still working through challenges, in some cases as a result of other pressures such as resource



constraints. Moving to the next level of maturity requires both that the businesses in those BU/SUs that are still relying heavily on their CCOs take full ownership of NFRs and that the CCO functions trust the business sufficiently to allow the transfer to occur.

- Agreeing the long-term operating model for the CCO functions. Committing fully to Line 1 ownership of NFRs will help clear the way for those BU/SUs to better visualise the long-term operating model for the CCO function. As discussed above, challenges associated with balancing the division of responsibilities between the CCO function and the business came into sharper focus during the Reporting Period, with most BU/SUs turning their collective minds to the operating model they will need longer term.
- Rebuilding risk ownership on an end-to-end basis. The need for CBA to take a greater end-to-end view of risks became increasingly apparent during the Reporting Period. Too often, risks have been compartmentalised. Finalisation of the Risk Steward model should help address this problem.
- Implementing a consistent model for Line 2 assurance. As noted in Previous Reports, the full implementation of the Line 2 assurance model has been delayed in some BU/SUs. It will be important to have time to see the assurance model bedded down before Recommendation 12d can be closed.

#### Tone from the Middle

One of the more impressive parts of the Program to date has been the clarity of tone from the top in terms of support for the objectives of the Program. We note that, for an organisation the size of CBA, many staff members will be influenced at least as much by messaging from their immediate supervisors as they are by messaging from the Board and ELT. It is therefore critical that the tone from the middle is fully aligned with the tone from the top.

We recognise that ensuring that the tone from the top permeates all levels of the organisation is a long-term exercise. We also recognise that it is difficult to measure and monitor. It is nevertheless critical to the long-term sustainability of the objectives of the Program.

In this respect we fully support the focus on winning the ‘hearts and minds’ of the business that emerged from the Forward-Look Session. We will take a close interest in how this is implemented and the impact it has on the tone from the middle.

## 2.4. Focus Areas

**Table 2.1: Areas on which CBA Should Focus**

Focus Area	Actions
<b>Board and Executive Leadership Oversight</b>	(i) GEs should continue to play an increasing role in addressing challenges as the Program tackles some of the most difficult and complex components of the RAP.
<b>Effective Project Management and Governance Disciplines</b>	(i) The Program should ensure that the increased focus on BU/SU experiences during forum meetings continues through to the end of the Program. (ii) CBA should consider whether there is scope to apply the Drop mechanism to delivering changes beyond the Program and the Critical Risk Priorities.
<b>Consistency</b>	(i) The Program should ensure that BU/SU-specific insights are leveraged to address areas of inconsistent progress.

## Independent Review of the Commonwealth Bank of Australia's Remedial Action Plan

Ninth Report

October 2020

	<ul style="list-style-type: none"> <li>(ii) The Program should focus on identifying those areas in which consistency through standardisation is critical and those where flexibility may produce better outcomes.</li> <li>(iii) The Program should weigh the possible advantages against the possible disadvantages of centralising some NFR activities, such as controls testing.</li> </ul>
<b>Simplicity</b>	(i) The Program should, where appropriate, work to simplify some RAP processes to ensure their sustainability, and build that simplification process into the post-RAP program of continuous improvement.
<b>Sustainability</b>	<ul style="list-style-type: none"> <li>(i) CBA should ensure that the trend towards the discussion of key themes being driven by staff from outside the Central RAP Team continues as the Program transitions to BAU.</li> <li>(ii) The Program should work to balance the advantages of detailed processes and policies providing clear benchmarks against the risk that over-engineered processes and policies are jettisoned by later generations of risk managers.</li> </ul>
<b>Communications</b>	<ul style="list-style-type: none"> <li>(i) The Program should to continue to focus on winning the 'hearts and minds' of staff, and to emphasise the importance of collective accountability in future communications.</li> <li>(ii) The Program should ensure that the tone from the middle is fully aligned with the tone from the top, and that it permeates all levels of the organisation.</li> </ul>
<b>Resourcing</b>	<ul style="list-style-type: none"> <li>(i) The Program should build on the learnings from the resourcing challenges uncovered in ES, and draw on these not only to identify such pressures early, but also to ensure that other BU/SUs do not experience the disruptions that accompanied the resourcing constraints in ES during the Reporting Period.</li> <li>(ii) The Program should continue to carefully consider whether it has sufficient resources to ensure it is delivering high-quality and sustainable outcomes and, in particular, consider whether resourcing constraints are driven by capacity or capability challenges.</li> </ul>
<b>3LoA</b>	<ul style="list-style-type: none"> <li>(i) The Program should work to complete the transfer of accountability for NFRs and NFR activities within Line 1 from the CCO function to the business.</li> <li>(ii) The Program should work to finalise the long-term operating model for the CCO functions.</li> <li>(iii) CBA should take a greater end-to-end view of risks and finalise the Risk Steward model.</li> <li>(iv) The Program should ensure that the Line 2 assurance model is fully and consistently implemented in all BU/SUs.</li> </ul>
<b>Data Quality</b>	(i) The Program must, in the short term, address those issues related to data quality that may prevent it from successfully delivering the RAP.
<b>Assurance</b>	(i) The Program should consider a greater level of assurance over inconsistent outcomes in BU/SUs in relation to key Recommendations to help identify consistency issues early.
<b>CCOs and the Group CCO</b>	<ul style="list-style-type: none"> <li>(i) CCOs must remain vigilant in ensuring that the changes being made by the Program can be absorbed into their businesses, and the intended outcomes of the RAP are sustained.</li> <li>(ii) The Program should refine and finalise the approach the Group CCO will take to monitoring the application of Sustainability Plans.</li> </ul>

## 3. Board Governance Theme Milestones

The Board Governance Theme deals with the Inquiry Recommendations on Board governance.

The *Inquiry Report* found the degree of attention and priority afforded to the governance and management of NFRs at CBA had not been to the standard expected of a systemically important bank.

Significant shortcomings in governance of NFRs were identified. The Board and its Committees had not demonstrated sufficient rigour and urgency in holding management to account. There were significant gaps in reporting and metrics provided to the Board and its Committees, and heavy reliance on the authority of key individuals. Gaps in communication between Committees, overconfidence in the effectiveness of the Board and its Committees, and immature oversight of risk culture, were also observed. The *Inquiry Report* noted the new tone being set by the day-to-day actions of the refreshed Board and its Committees under the new Chairman which, if maintained, would help to address many of the governance issues raised by the Inquiry.

The *Inquiry Report* recommended CBA make improvements to Board practices and processes, NFR information provided to the Board and its Committees, and the way Board Committees co-ordinate. It emphasised the need for the Board to promote a clear tone at the top.

CBA's response through the RAP is to make changes that will strengthen Board practices and co-ordination.

In particular, the RAP envisages the Board engaging with senior leaders and staff throughout the organisation in a more structured manner. It also envisages addressing gaps against global better practice for Boards and Committees, improving co-ordination between Board Committees, clarifying the delineation of roles and responsibilities between the Committees relating to oversight of NFR issues, improving Board Audit Committee (BAC) protocols, and improving the quality and consistency of NFR reporting.

### 3.1. Status of Board Governance Theme

#### 3.1.1. Status of Board Governance Theme Milestones

Milestones under the Board Governance Theme are on-track for completion by the Due Dates set out in the RAP.

Progress on the Board Governance Theme Milestones is set out in Table 3.1, and is discussed in more detail below.

During the Reporting Period:

- The Program submitted the Closure Packs for two Board Governance Theme Milestones (Milestones 2.4 and 3.5) to Promontory. The Closure Packs were submitted before the relevant Due Date set out in the RAP.
- Promontory assessed one Board Governance Theme Milestone (Milestone 4.4) as complete and effective. The Closure Pack for this Milestone was submitted in the Eighth Reporting Period.
- The Program was working on the one remaining Embed Milestone for this Theme.

## Independent Review of the Commonwealth Bank of Australia's Remedial Action Plan

Ninth Report

October 2020

At the Reporting Date Promontory was yet to start its review of two Board Governance Theme Milestones (Milestones 2.4 and 3.5), the Closure Packs for which were submitted in late September.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 17 of the 20 Board Governance Theme Milestones had been assessed as complete and effective.

**Table 3.1: Progress on Board Governance Theme Milestones**

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Progress
1	Board visibility	1.1 Implement	Increase Board engagement with senior management	Dec-18	●
		1.2 Implement	Establish Board agenda item on NFR issues and quality of information	Mar-19	●
		1.3 Implement	Amend ELT agenda to include discussion of Board information	Mar-19	●
		1.4 Embed	Undertake an annual review on Board and Board Committees' performance	Dec-19	●
2	Board better practice	2.1 Design	Compare the processes and practices of the Board to global better practice	Mar-19	●
		2.2 Implement	Change processes and practices in line with Board approved recommendations	Oct-19	●
		2.3 Implement	Update Board Corporate Governance Guidelines to require periodic review of practices	Dec-18	●
		2.4 Embed	Assess whether the Board, BAC and BRCC are aligned with better practice identified in Milestone 2.1	Sep-20	◐

# Independent Review of the Commonwealth Bank of Australia's Remedial Action Plan

Ninth Report

October 2020

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
3	Board co-ordination	3.1 Design	Amend the BAC Charter to provide for referral of relevant matters to the BRCC	Oct-18	●
		3.2 Design	Review Board Committee Charters to consider appropriate cross-referral of matters	Oct-18	●
		3.3 Implement	Amend Board Committee agendas to include information sharing and issues referral	Mar-19	●
		3.4 Implement	Establish Board Committee joint meeting to consider NFR matters related to executive performance and remuneration	Aug-19	●
		3.5 Embed	Assess the effectiveness of coordination between the BRCC, People and Remuneration Committee ( <b>PRC</b> ) and BAC	Sep-20	◐
4	Audit Committee	4.1 Design	BAC to set expectations on when BU/SU must present on material issues	Dec-18	●
		4.2 Design	Review, update and document the end-to-end internal audit practices in relation to issue management	Dec-18	●
		4.3 Implement	Amend internal audit process to include BU/SU issue owners appearing before BAC	Jun-19	●
		4.4 Embed	BAC to arrange review internal audit process and whether BAC expectations on presentations by BU/SU accountable individual are being met	Apr-20	●
5	Board information	5.1 Design	Design Board reporting in relation to NFR	Feb-19	●
		5.2 Implement	Commence revised operational risk, compliance and regulatory risk reporting to the Board and BRCC	Oct-19	●
		5.3 Embed	Assess whether the Board and BRCC received adequate NFR information	Dec-20	◑

### 3.1.2. Status of Board Governance Theme Recommendations

Closure Packs for the Board Governance Theme Recommendations are on-track for submission by the Due Dates set out in the RAP.

Progress on closing the Board Governance Theme Recommendations is set out in Table 3.2.

During the Reporting Period:

- The Program submitted the Closure Packs for two Board Governance Theme Recommendations (Recommendations 2 and 3) to Promontory. The Closure Packs were submitted before the relevant Due Dates set out in the RAP.
- Promontory assessed one Board Governance Theme Recommendation (Recommendation 4) as closed. The Closure Pack for this Recommendation was submitted in the Eighth Reporting Period.
- The Program was working on the one remaining Recommendation Closure Pack for this Theme.

At the Reporting Date Promontory was yet to start its review of the Closure Packs for two Board Governance Recommendations (Recommendations 2 and 3) submitted in September 2020.

Taking into account Recommendations assessed as closed in previous Reporting Periods, as at the Reporting Date, a total of two of the five Board Governance Recommendations had been assessed as closed.

**Table 3.2: Progress on Board Governance Theme Recommendations**

#	Recommendation Description	Target State Description	Due Date	Progress
1	Board visibility	The Board continues to have a positive influence on the behaviours within the Group	Mar-20	
2	Board better practice	The Board and its Board Audit, and Risk and Compliance Committees are operating at a level consistent with global better practice	Sep-20	
3	Board co-ordination	There are clear accountabilities, and timely and effective information flows between Board Committees	Sep-20	
4	Audit Committee	Owners of material issues are held accountable for the resolution and effective closure of issues within their remit	Jun-20	
5	Board information	The Board receives granular information on the Group's position against its risk appetite, and is able to examine NFR issues	Dec-20	

## 3.2. Board Governance Theme Milestone Assessment Outcomes

### 3.2.1. Assessment of Recommendation 4 Milestone

The Target State for Recommendation 4 is that the owners of material issues are held accountable for the resolution and effective closure of issues within their remit.

#### a) Milestone 4.4

Milestone 4.4 (an Embed Milestone) requires the BAC to conduct a review to assess whether owners of material issues in each BU/SU are being held accountable for the closure of those issues, including presenting in person on their status, actions and closure.

CBA confirmed and provided evidence that:

- The BAC requested the Group Auditor to conduct a review, the scope of which was in line with the Milestone.
- In its discussion, the BAC considered the reasonableness and adequacy of closure dates, issues monitoring and follow-up reviews.
- The BAC expectations are being met in relation to:
  - owners of material issues being held accountable for closure of those issues; and
  - improved resolution and effective closure of issues.

CBA provided a Sustainability Plan for this Milestone designed to ensure the Target State continues on an ongoing basis. The Sustainability Plan has a number of elements including frameworks, accountabilities, governance, and reporting.

After reviewing the Closure Pack for this Milestone, Promontory requested and received further information and interviewed relevant stakeholders on matters including:

- how the improved resolution and effective closure of issues is defined and evidenced, both now and in the future;
- how accountability is being applied, including metrics in relation to the closure of material issues; and
- how the Sustainability Plan will ensure that the Target State will continue to be met on an ongoing basis.

Based on our assessment of the Milestone Closure Pack, the additional information we received (including an updated Sustainability Plan) and the interviews we conducted we concluded that:

- Aggregated metrics demonstrate progress in relation to the identification, resolution and closure of issues. These metrics and supporting commentary are provided to relevant Board committees on a bi-annual basis.
- There is evidence that issue owners are accountable for progress towards issue resolution and closure. Checks and audits are in place to identify insufficient progress in relation to issue closure.

- The Sustainability Plan contains controls that link the CBA audit framework to the Target State to ensure that owners of material issues are held accountable for the resolution and effective closure of issues within their remit.

As such, we consider that:

- the Milestone's Closure Criteria have been met;
- CBA has adequately addressed matters raised in our assessment of prior Milestones for this Recommendation;
- the Target State has been achieved; and
- the design of the Sustainability Plan is sufficient to support the maintenance of the Target State on an ongoing basis.

The Milestone is, therefore, complete and effective.

### **3.3. Board Governance Theme Recommendation Assessment Outcomes**

#### **3.3.1. Assessment of Recommendation 4**

The Target State for Recommendation 4 is that the owners of material issues are held accountable for the resolution and effective closure of issues within their remit.

CBA is meeting the Target State through the following initiatives:

- amended end-to-end internal audit processes and Red audit reports, including reports to the BAC as to whether appropriate progress has been made to resolve issues;
- a requirement for accountable executives to present Red audits to the BAC; and
- consideration by the Board of a report about audit findings, management awareness and actions taken by the CEO and each of the GEs in conducting their performance assessment.

The Sustainability Plan for this Recommendation provides a sound basis for supporting the maintenance of the Target State. In particular, the Plan:

- References updated Charters for the BAC and GA&A function. In particular, the BAC Charter includes the responsibility to 'monitor the timely resolution of significant control deficiencies' and to receive 'regular reports on significant audit findings and the timeliness and adequacy of management's responses and progress in resolving the outstanding significant audit findings'.
- Evidences appropriate metrics have been operationalised. For example, reporting on current material issues, items closed and a time series of the inventory of open and closed issues.
- Includes a series of controls for ensuring that initiatives maintain the Target State over time, including:
  - updated Charters which detail accountability for oversight and resolution of material issues;



## Independent Review of the Commonwealth Bank of Australia's Remedial Action Plan

Ninth Report

October 2020

- formal assessment of whether the BAC has fulfilled its Charter responsibilities (provided under Recommendation 1); and
- commitment to an external review of the BAC's function (including associated policies, procedures and methodology) in 2021 with triennial reviews thereafter.

Promontory therefore considers that:

- all commitments from the final assessment of the prior Milestones have been adequately addressed;
- the Target State has been achieved;
- the Sustainability Plan has been operationalised;
- the Sustainability Plan is operating effectively to support the maintenance of the Target State; and
- a full cycle of the Sustainability Plan can be expected to provide evidence that the Target State can be maintained on an ongoing basis.

Promontory considers the Recommendation to be closed.

## 4. Management Governance Theme Milestones

The Management Governance Theme deals with the Inquiry Recommendations on senior leadership oversight, the stature of the compliance function and regulatory engagement.

The *Inquiry Report* found that the Executive Committee had not been an effective vehicle for addressing Group-wide risks and issues. The Committee had no mandate to oversee the risk profile of the Group. Its dynamics did not encourage a sense of collective accountability for Group risk outcomes or constructive challenge of Committee members. CBA's compliance function had not been given sufficient recognition, stature or authority. In dealing with regulators, CBA was also seen to be defensive, reactive, perfunctory and slow to respond.

The *Inquiry Report* recommended that the Executive Committee embed collective accountability for management of the Group, mitigate the impact of risks that span BUs, elevate the stature of the compliance function, and establish an Executive-level Committee for oversight of NFRs (including emerging risks). It also recommended that CBA strengthen its dialogue and engagement with regulators and take a more pre-emptive approach to investment decisions in risk management.

CBA's response through the RAP is to elevate the stature of NFR, making it a top priority for the ELT. It includes establishing a new committee at the Executive level to oversee NFR with the EGM Compliance as a member. Changes are also to be made to strengthen individual responsibility and accountability, improve governance, and encourage leaders to take a pre-emptive approach to risk management.

The RAP envisages measures to strengthen collective accountability and encourage greater challenge in the ELT. It also envisages refreshing CBA's regulatory engagement principles.

### 4.1. Status of Management Governance Theme

#### 4.1.1. Status of Management Governance Theme Milestones

Progress on the Management Governance Theme Milestones is set out in Table 4.1, and is discussed in more detail below.

During the Reporting Period, Promontory assessed two Management Governance Theme Milestones (Milestones 7.6 and 8.3) as complete and effective. The Closure Packs for these Milestones were submitted in the Seventh Reporting Period.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, all 19 Management Governance Theme Milestones had been assessed as complete and effective.

**Table 4.1: Progress on Management Governance Theme Milestones**

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Progress
6	Collective accountability	6.1 Design	Develop Group Strategy Scorecard that reflects shared accountabilities	Dec-18	●
		6.2 Implement	Board approves changes to GE scorecards/Key Performance Indicators ( <b>KPIs</b> ) to include shared priorities and accountability for RAP	Feb-19	●
		6.3 Embed	Interim and annual performance assessment of GEs completed, based on revised KPI structure with Group Strategy Scorecard as key input	Sep-19	●
7	Executive Committee	7.1 Design	Establish the ELT NFRC to consider risks that span the Group	Sep-18	●
		7.2 Design	Develop and communicate CEO expectations in relation to behaviours and interactions of the ELT	Oct-18	●
		7.3 Implement	ELT operating according to CEO's expectations	Mar-19	●
		7.4 Implement	ELT NFRC meetings are operating in accordance with Charter	Feb-19	●
		7.5 Embed	Engage external party to conduct a review of the behaviours and interactions of the ELT	Oct-19	●
		7.6 Embed	Complete external assessment of ELT NFRC	Mar-20	●
8	NFRC	8.1 Design	Establish the ELT NFRC with agenda, roles and responsibilities defined	Sep-18	●
		8.2 Implement	ELT NFRC meetings are operating in accordance with Charter	Feb-19	●
		8.3 Embed	Complete external assessment of ELT NFRC	Mar-20	●

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Progress
14	Head of Compliance	14.1 Design	Include the EGM Compliance as a member of the ELT NFRC and include regular time for discussion of compliance matters	Sep-18	●
		14.2 Implement	Provide EGM Compliance with access to Board and BRCC and removal/appointment protocols	Sep-18	●
		14.3 Implement	EGM Compliance attends ELT NFRC meetings	Feb-19	●
		14.4 Embed	EGM Compliance attends Board and BRCC meetings as required	Dec-19	●
19	Regulator engagement	19.1 Design	Define regulatory engagement target operating model	Dec-18	●
		19.2 Implement	Target operating model for regulatory engagement in place	Jun-19	●
		19.3 Embed	Demonstrate uplift in regulatory engagement through key interactions	Mar-20	●

#### 4.1.2. Status of Management Governance Theme Recommendations

Closure Packs for the Management Governance Theme Recommendations are on-track for submission by the Due Dates set out in the RAP.

Progress on closing the Management Governance Theme Recommendations is set out in Table 4.2.

During the Reporting Period:

- The Program submitted the Closure Packs for two Management Governance Theme Recommendations (Recommendations 8 and 19) to Promontory. The Closure Packs were submitted before the relevant Due Dates set out in the RAP.
- Promontory assessed two Management Governance Theme Recommendations (Recommendations 7 and 14) as closed. The Closure Packs for these Recommendations were submitted in the Seventh and Eighth Reporting Periods.
- The Program was working on the one remaining Recommendation Closure Pack for this Theme.

At the Reporting Date Promontory was assessing one Management Governance Theme Recommendation (Recommendation 19), the Closure Pack for which was submitted in July 2020. Promontory was yet to start its

review of the Closure Pack for one Management Governance Theme Recommendation (Recommendation 8) submitted in September 2020.

Taking into account Recommendations assessed as closed in previous Reporting Periods, as at the Reporting Date, a total of two of the five Management Governance Recommendations had been assessed as closed.

**Table 4.2: Progress on Management Governance Theme Recommendations**

#	Recommendation Description	Target State Description	Due Date	Progress
6	Collective accountability	The ELT will be held accountable and assessed against a set of shared priorities	Nov-20	
7	Executive Committee	The ELT will operate with a sense of collective accountability, exhibit constructive challenge and encourage diversity of thinking	Jun-20	
8	ELT NFRC	The ELT NFRC will raise the visibility and stature of NFR, and provide a central view for considering NFR issues across the Group	Sep-20	
14	Head of Compliance	Compliance matters receive an increased level of consideration at the Board and ELT level	Mar-20	
19	Regulator engagement	Adopting a revised regulatory engagement strategy will promote a stronger relationship with regulators and more proactive identification and management of regulatory issues	Jul-20	

## 4.2. Management Governance Theme Milestone Assessment Outcomes

### 4.2.1. Assessment of Recommendations 7 and 8 Milestones

Recommendations 7 and 8 together address the operation of Executive-level Committees.

The Target State for Recommendation 7 is the ELT exhibiting a number of characteristics, including operating with collective accountability, exhibiting a culture of constructive challenge, encouraging diversity of thinking, support functions having an equal voice in deliberations and members having an understanding of the business beyond their individual roles.

The Target State for Recommendation 8 is that the establishment of a NFRC at the Executive level raises the visibility and stature of NFR, provides a central view for considering NFR issues across the Group and improves decision-making and consistency.

#### a) Milestones 7.6 and 8.3

Milestone 8.3 (an Embed Milestone) requires CBA to engage an external party to conduct a review of the effectiveness of the ELT NFRC and the extent to which the ELT NFRC discusses and takes actions to mitigate

OR&C risks that span the BUs, promotes the voice of SUs, engages in constructive challenge and debate, receives effective reporting by Line 2 on the OR&C risk profile and by Line 3 on audit matters, reviews the risk profile of each BU/SU, monitors the timely closure of issues, monitors complaints, and receives reporting and takes action on emerging risks.

Milestone 7.6 (an Embed Milestone) repeats and refers directly to Milestone 8.3. We assessed Milestone 7.6 and Milestone 8.3 together.

CBA confirmed and provided evidence that:

- an external party reviewed the performance of the ELT NFRC;
- the report was presented to the ELT NFRC, and an Improvement Plan was endorsed to respond to the report's recommendations; and
- the operation of the ELT NFRC has improved over the past 12 months in relation to reporting and oversight activities in line with the revised forward agenda.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestones 8.1 and 8.2 in relation to:

- time allocations and matters discussed;
- clarity of roles of the ELT versus the ELT NFRC;
- having formal mechanisms for reporting and escalation to the Board;
- the content and format of reporting to the ELT NFRC; and
- recording and tracking actions.

CBA provided a Sustainability Plan for these Milestones designed to ensure the Target State continues on an ongoing basis. The Sustainability Plan has a number of elements including frameworks and processes, accountabilities, governance and reporting.

After reviewing the Closure Pack for these Milestones, Promontory requested and received further information and interviewed relevant stakeholders on matters including:

- the scope of the external review and plans to conduct another review to support closure of Recommendations 7 and 8;
- the Improvement Plan elements, and how they map to the Milestone Descriptions and the external review recommendations;
- changes to the approach to ELT NFRC and Board reporting;
- the role of the Group CCO to monitor ELT NFRC effectiveness;
- the approach to documenting and tracking actions; and
- the design of the Sustainability Plan.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we consider that:

- the Closure Criteria for both Milestones have been met;
- CBA has adequately addressed matters raised in our assessment of prior Milestones for these Recommendations;
- the Target States have been achieved; and
- the design of the Sustainability Plan is sufficient to support the maintenance of the Target State on an ongoing basis.

The Milestones are, therefore, complete and effective.

In finalising our assessment we foreshadowed that our assessment when closing Recommendation 8 will include consideration of the following:

- the comprehensiveness of the upcoming internal annual review of the performance of the ELT NFRC;
- the status of the ELT NFRC Improvement Plan, including in relation to Group and BU/SU NFRC coordination practices; and
- effectiveness of the use of the register in monitoring ELT NFRC actions to completion.

### **4.3. Management Governance Theme Recommendation Assessment Outcomes**

#### **4.3.1. Assessment of Recommendation 7**

The Target State for Recommendation 7 is the ELT exhibiting a number of characteristics, including operating with collective accountability, exhibiting a culture of constructive challenge, encouraging diversity of thinking, support functions having an equal voice in deliberations and members having an understanding of the business beyond their individual roles.

CBA is meeting the Target State through a number of initiatives:

- An external party has, over a number of comprehensive reviews, concluded the ELT is performing to an acceptable standard against behavioural elements of the Target State (while also identifying areas of further development).
- ELT meetings, including relevant pre-work, focused on team effectiveness and behaviour.
- Ongoing training and development activities focussed on ELT team effectiveness have been scheduled.

The Sustainability Plan for this Recommendation provides a sound basis for supporting the maintenance of the Target State. In particular, the Plan:

- references the ELT Charter which requires the ELT to review its performance and behaviours annually, including having an external review every two years; and
- requires the CEO Executive Adviser to ensure that adequate time is allocated in the ELT Forward Planner to discuss findings from reviews, agree areas for improvement and identify actions.

Promontory therefore considers that:

- all commitments from the final assessment of the prior Milestones have been adequately addressed;
- the Target State has been achieved;
- the Sustainability Plan has been operationalised;
- the Sustainability Plan is operating effectively to support the maintenance of the Target State; and
- a full cycle of the Sustainability Plan can be expected to provide evidence that the Target State can be maintained on an ongoing basis.

Promontory considers the Recommendation to be closed.

#### **4.3.2. Assessment of Recommendation 14**

The Target State for Recommendation 14 is that compliance matters receive an increased level of consideration at the Board and ELT level, which should promote better compliance management outcomes.

CBA is meeting the Target State through a number of initiatives:

- compliance has been incorporated into a number of Group-wide standards and processes;
- the ELT NFRC, Board and BRCC Charters, as updated, continue to elevate the focus on compliance and the overall stature of compliance;
- the EGM Compliance continues to be a member of the ELT NFRC and also regularly attends the Board/BRCC; and
- the EGM Compliance continues to have unfettered access to the Board and BRCC.

The Sustainability Plan for this Recommendation provides a sound basis for supporting the maintenance of the Target State. In particular, the Plan:

- requires the Board, BRCC and ELT NFRC to complete an annual review of their performance (including their consideration of compliance matters); and
- requires the Forward Agendas for the Board, BRCC and ELT NFRC to show a continued focus on compliance matters, with regular deep dives and sessions scheduled.

Promontory therefore considers that:

- all commitments from the final assessment of the prior Milestones have been adequately addressed;
- the Target State has been achieved;



- the Sustainability Plan has been operationalised;
- the Sustainability Plan is operating effectively to support the maintenance of the Target State; and
- a full cycle of the Sustainability Plan can be expected to provide evidence that the Target State can be maintained on an ongoing basis.

Promontory considers the Recommendation to be closed.

## 5. Operating Model (3LoA) Theme Milestones

The Operating Model (3LoA) Theme deals with the Inquiry Recommendations on aspects of the operating model for NFR, in particular the three lines of defence model (described at CBA as 3LoA) and related issues.

The *Inquiry Report* found that CBA had not implemented the three lines of defence model effectively despite numerous attempts. The *Inquiry Report* also noted that BU CROs retained reporting lines to relevant GEs. It said CBA needed to ensure that this reporting line did not impede their independence.

The *Inquiry Report* recommended that CBA ensure its 3LoA Principles are effectively embedded and subject to strict governance principles with BUs taking primary ownership of risk management. It also recommended that BU CROs have the necessary independence to provide effective challenge to the business.

CBA's response through the RAP is to generate a consistent understanding, ownership and governance of risks across the bank by adhering to 3LoA Principles.

The RAP envisages establishing clear requirements on the roles of each line of defence, and strengthening the ability of Line 2 to provide independent review and challenge.

### 5.1. Status of Operating Model (3LoA) Theme

#### 5.1.1. Status of Operating Model (3LoA) Theme Milestones

As noted in section 2.1, at the Reporting Date one Milestone under the Operating Model (3LoA) Theme was not on-track for completion by the Due Date set out in the RAP. This was due, in part, to the results of the Program's examination of progress in embedding the intended 3LoA model. As discussed in section 2.2.3, inconsistencies in the 3LoA operating model in some BU/SUs were identified during the Reporting Period. The examination conducted by the Program also identified a series of actions to be taken to ensure that the 3LoA model is embedded in these BU/SUs. These actions include reassessing capacity requirements and adopting a targeted approach to capability uplift.

Progress on the Operating Model (3LoA) Theme Milestones is set out in Table 5.1, and is discussed in more detail below.

During the Reporting Period:

- No Milestone Closure Packs for this Theme were submitted to Promontory.
- The Program was working on the two remaining Embed Milestones for this Theme.

At the Reporting Date Promontory was assessing one Operating Model (3LoA) Theme Milestone (Milestone 9.4), the Closure Pack for which was submitted in March 2020.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of eight of the 11 Operating Model (3LoA) Theme Milestones had been assessed as complete and effective.

**Table 5.1: Progress on Operating Model (3LoA) Theme Milestones**

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
9	3LoA	9.1 Design	Develop approach and tools to align OR&C activities with the 3LoA Principles	Sep-18	●
		9.1b Design	Define document and endorse roles and mandates of CCOs and Line 2 Risk Stewards	Dec-19	●
		9.2 Design	Develop plans to align BU/SU OR&C activities to the 3LoA Principles	Mar-19	●
		9.3 Design	Endorse plan to align to the 3LoA Principles of all risk types other than OR&C	Oct-19	●
		9.4 Implement	Realign Lines 1 and 2 OR&C activity	Mar-20	◐
		9.4a Implement	Line 2 Risk Stewards for Prioritised Risk Types are in place	Dec-19	●
		9.5 Embed	Complete Line 3 assessment to determine whether Line 1 and 2 are operating in accordance with the 3LoA Principles	Dec-20	◐
		9.5a Embed	Review to confirm whether the intent of the CCO and Line 2 Risk Steward roles are being achieved or should be adjusted	Dec-20	◐
10	CRO independence	10.1 Design	Clarify engagement protocol between BU CROs and BUs to maintain connectivity without compromising independence	Dec-18	●
		10.2 Implement	Reinforce independence of BU CROs by amending reporting lines and KPIs	Feb-19	●
		10.3 Embed	Complete Group CRO performance assessment of BU CROs	Oct-19	●

### 5.1.2. Status of Operating Model (3LoA) Theme Recommendations

Closure Packs for the Operating Model (3LoA) Theme Recommendations are on-track for submission by the Due Dates set out in the RAP.

Progress on closing the Operating Model (3LoA) Theme Recommendations is set out in Table 5.2.

## Independent Review of the Commonwealth Bank of Australia’s Remedial Action Plan

Ninth Report

October 2020

During the Reporting Period the Program was working on the one remaining Recommendation Closure Pack for this Theme.

At the Reporting Date Promontory was assessing one Operating Model (3LoA) Theme Recommendation (Recommendation 10), the Closure Pack for which was submitted in June 2020.

**Table 5.2: Progress on Operating Model (3LoA) Theme Recommendations**

#	Recommendation Description	Target State Description	Due Date	Progress
9	3LoA	There is consistent adherence to the 3LoA Principles across BU/SUs. Line 1 owns and manages risks, and Line 2 provides review and challenge.	Mar-21	
10	CRO independence	BU CROs are, and are perceived to be, independent from BUs while continuing to be well-connected to BUs	Jun-20	

## 6. Risk Appetite, Taxonomy and Standards Theme Milestones

The Risk Appetite, Taxonomy and Standards Theme deals with Inquiry Recommendations on aspects of NFR management. These aspects include setting Risk Appetite Statement (**RAS**) limits, setting minimum standards for NFR management, assurance of BU/SU risk profiles, and identifying and managing emerging risks.

The *Inquiry Report* found that CBA's management of operational and compliance risks had been inadequate. It concluded that operational and compliance risk metrics in the Group RAS were under-represented relative to metrics for financial risks and that policies and frameworks for managing operational and compliance risks had been inconsistently implemented. It noted that OR&C functions had been reactive and had a heavy procedural bias that fostered a 'form over substance' approach to compliance risk management. The quality of Line 2 assurance across BUs had been variable.

The *Inquiry Report* recommended that CBA strengthen its management of operational and compliance risk. In doing so, it recommended that CBA develop granular metrics for limits relating to NFRs in the Group RAS, create and embed minimum standards for management of NFRs in policies across the Group, heighten Executive-level focus on emerging NFRs, and enhance the ability of Line 2 to fulfil its assurance responsibilities.

CBA's response through the RAP is to build employees' understanding of risk appetite, policies and procedures so that CBA can more proactively identify gaps and manage risks. Changes envisaged include standardising risk management tools across the bank, developing more common risk management language, and developing and monitoring more granular risk metrics to support the bank's risk appetite settings.

The RAP envisages defining and embedding a more robust framework for overseeing and monitoring NFR consistently across the Group.

### 6.1. Status of Risk Appetite, Taxonomy and Standards Theme

#### 6.1.1. Status of Risk Appetite, Taxonomy and Standards Theme Milestones

Milestones under the Risk Appetite, Taxonomy and Standards Theme are on-track for completion by the Due Dates set out in the RAP.

Progress on the Risk Appetite, Taxonomy and Standards Theme Milestones is set out in Table 6.1, and is discussed in more detail below.

During the Reporting Period:

- The Program submitted the Closure Packs for three Risk Appetite, Taxonomy and Standards Theme Milestones (Milestones 12b.2b, 12c.3 and 12d.2c) to Promontory. The Closure Packs were submitted before the relevant Due Dates set out in the RAP.
- The Program was working on the two remaining Embed Milestones for this Theme.

At the Reporting Date Promontory was assessing four Risk Appetite, Taxonomy and Standards Theme Milestones (Milestones 12a.7, 12b.2b, 12b.3a and 12d.2b), the Closure Packs for which were submitted in June

## Independent Review of the Commonwealth Bank of Australia's Remedial Action Plan

Ninth Report

October 2020

and August 2020. Promontory was yet to start its review of two Risk Appetite, Taxonomy and Standards Theme Milestones (Milestones 12c.3 and 12d.2c), the Closure Packs for which were submitted in late September.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 12 of the 20 Risk Appetite, Taxonomy and Standards Theme Milestones had been assessed as complete and effective.

**Table 6.1: Progress on Risk Appetite, Taxonomy and Standards Theme Milestones**

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
12a	RAS limits	12a.1 Design	Board to define the OR&C types that are required to have granular metrics in the Group RAS	Aug-18	●
		12a.2 Design	Define the high-level process, timeline and design principles for developing, cascading and monitoring Group-level granular metrics	Aug-18	●
		12a.3 Design	Design granular metrics for inclusion in the Group RAS and cascading into the BU/SUs	Oct-18	●
		12a.4 Implement	Update the Group RAS to incorporate granular metrics for OR&C types	Nov-18	●
		12a.5 Implement	Cascade the Group RAS metrics, triggers and limits into BU/SU RASs	Mar-19	●
		12a.6 Embed	Hold enhanced discussion at ELT NFRC and BRCC on risk profile versus risk appetite	May-19	●
		12a.7 Embed	BU/SU RASs include metrics for locally material OR&C types	Jun-20	◐

# Independent Review of the Commonwealth Bank of Australia's Remedial Action Plan

Ninth Report

October 2020

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
12b	NFR minimum standards	12b.1 Design	Define criteria for minimum standards in relation to NFR	Dec-18	●
		12b.2a Implement	Define minimum standards for first wave of Prioritised Risk Types	Nov-19	●
		12b.2b Implement	Define minimum standards for second wave of Prioritised Risk Types	Aug-20	◐
		12b.3a Embed	Embed minimum standard for first wave of Prioritised Risk Types	Jun-20	◐
		12b.3b Embed	Embed minimum standard for second wave of Prioritised Risk Types	Feb-21	◑
12c	Emerging risks	12c.1 Design	Dedicate time to consider emerging risks at the ELT NFRC	Dec-18	●
		12c.2 Implement	Discuss emerging risks at ELT NFRC	Nov-19	●
		12c.3 Embed	ELT NFRC holds discussion on emerging risks and receives reporting that is supported by discussion at BU/SU NFRCs	Sep-20	◑



#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
12d	Line 2 assurance	12d.1 Design	Define the Line 2 Assurance/Monitoring Program for OR&C	Dec-18	●
		12d.2 Implement	Design Line 2 assurance plans and train Line 2 staff doing assurance activity	Jun-19	●
		12d.2b Implement	Consider and apply changes to design of Line 2 Assurance Standard, Procedure, governance and Plans	Jun-20	◐
		12d.2c Implement	Roll out finalised FY21 Line 2 Assurance Program to BU/SU Line 2	Sep-20	◑
		12d.3 Embed	FY21 Line 2 Assurance Programs are operational, Line 3 assesses the Programs and appropriate management action (as relevant) is agreed	Apr-21 <sup>24</sup>	◒

### 6.1.2. Status of Risk Appetite, Taxonomy and Standards Theme Recommendations

Closure Packs for the Risk Appetite, Taxonomy and Standards Theme Recommendations are on-track for submission by the Due Dates set out in the RAP.

Progress on closing the Risk Appetite, Taxonomy and Standards Theme Recommendations is set out in Table 6.2.





During the Reporting Period:

- The Program submitted the Closure Pack for one Risk Appetite, Taxonomy and Standards Theme Recommendation (Recommendation 12c) to Promontory. The Closure Pack was submitted before the relevant Due Date set out in the RAP.
- The Program was working on the three remaining Recommendation Closure Packs for this Theme.

At the Reporting Date Promontory was yet to start its review of the Closure Pack for one Risk Appetite, Taxonomy and Standards Theme Recommendation (Recommendation 12c) submitted in September 2020.

<sup>24</sup> The Due Date for Milestone 12d.3 was moved from February 2021 to April 2021 during the Reporting Period.

**Table 6.2: Progress on Risk Appetite, Taxonomy and Standards Theme Recommendations**

#	Recommendation Description	Target State Description	Due Date	Progress
12a	RAS limits	CBA strengthen its management of OR&C and ensure that the Group RAS includes limits and triggers for more granular OR&C metrics by risk theme	Dec-20 <sup>25</sup>	
12b	NFR minimum standards	Clear, simple and enforceable OR&C minimum standards uplift NFR management and are continually refreshed	Feb-21	
12c	Emerging risks	The ELT NFRC dedicate specific agenda time to understanding and addressing emerging risks resulting in more proactive identification and management of risks	Sep-20	
12d	Line 2 assurance	A Line 2 Assurance Plan is deployed to provide selected, targeted and effective independent assurance over relevant ORMF/CMF and risk type policies	May-21	

<sup>25</sup> The Due Date for Recommendation 12a was moved from September 2020 to December 2020 during the Reporting Period.

## 7. Accountability and Controls Delivery Theme Milestones

The Accountability and Controls Delivery Theme deals with Inquiry Recommendations on the Group's control environment, the conduct of root cause analysis, and the resolution of significant and outstanding issues.

The *Inquiry Report* found shortcomings in CBA's handling of issues escalated from staff, customers and regulators. CBA had difficulty identifying broad systemic issues in its business and resolving identified issues as a result of organisational complacency, low senior-level oversight, and weak project execution capabilities. In addition, the *Inquiry Report* noted significant scope for improvement in CBA's control environment.

The *Inquiry Report* recommended that the CBA Board and Executive Leadership improve their processes for monitoring issues, and end tolerance for untimely and ineffective resolution of significant, outstanding matters of concern. It also recommended that CBA ensure its control environment is robust, reflecting effective control design and testing, and that root causes of issues are addressed in a timely and effective manner.

CBA's response through the RAP centres on improving the processes used to manage risk, and the environment in which that risk is managed.

In particular, the RAP envisages refreshing CBA's risk profiles so they are comprehensive and consistent, assessing current risk controls and improving them where necessary. It also envisages enhancing root cause analysis and implementing a number of measures to ensure timely and effective resolution of outstanding issues.

### 7.1. Status of Accountability and Controls Delivery Theme

#### 7.1.1. Status of Accountability and Controls Delivery Theme Milestones

Milestones under the Accountability and Controls Delivery Theme are on-track for completion by the Due Dates set out in the RAP.

Progress on the Accountability and Controls Delivery Theme Milestones is set out in Table 7.1, and is discussed in more detail below.

During the Reporting Period:

- The Program submitted the Closure Pack for one Accountability and Controls Delivery Theme Milestone (Milestone 12e.3c) to Promontory. The Closure Pack was submitted before the relevant Due Date set out in the RAP.
- The Program was working on the one remaining Implement Milestone and one remaining Embed Milestone for this Theme.

At the Reporting Date Promontory was assessing three Accountability and Controls Delivery Theme Milestones (Milestones 12e.3c, 12f.3 and 16.3), the Closure Packs for which were submitted in June and July 2020.

## Independent Review of the Commonwealth Bank of Australia's Remedial Action Plan

Ninth Report

October 2020

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of seven of the 13 Accountability and Controls Delivery Theme Milestones had been assessed as complete and effective.

**Table 7.1: Progress on Accountability and Controls Delivery Theme Milestones**

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
12e	Control environment	12e.1 Design	Develop the approach to operationalise the Group OR&C frameworks to uplift the control environment through the RMI program	Dec-18	●
		12e.2 Implement	Establish an initial baseline understanding of material risks and controls for each BU/SU	Mar-19	⦿
		12e.3a Implement	Commence Risk Profile Consolidation and Value Chain mapping	Dec-19	●
		12e.3b Implement	Consolidate BU/SU risk profiles, update Risk Taxonomy for all risk types and provide guidance on baselining	Mar-20	●
		12e.3c Implement	Complete updating BU/SU risk profiles via Improving RCSA for Financial Crimes Compliance	Jul-20	◐
		12e.3d Implement	Complete updating BU/SU risk profiles via Improving RCSA for Privacy	Dec-20	◐
		12e.4b Embed	Evidence of an improvement in the assessment of Risk, obligations and Control environment for Financial Crimes Compliance and Privacy	Feb-21	◐
12f	Root causes	12f.1 Design	Define root cause analysis as part of the Issue Management Standard	Dec-18	●
		12f.2 Implement	Implement root cause analysis as part of the Issue Management Standard	Dec-19	●
		12f.3 Embed	Root cause analysis completed for all issues prescribed in the Issue Management Standard	Jun-20	◐

## Independent Review of the Commonwealth Bank of Australia’s Remedial Action Plan

Ninth Report

October 2020

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
16	Issue management	16.1 Design	Design the Issue Management Standard	Dec-18	●
		16.2 Implement	Roll out updated Issue Management Standard to each BU/SU	Dec-19	●
		16.3 Embed	BU/SUs manage all issues in line with Issue Management Standard	Jun-20	◐

### 7.1.2. Status of Accountability and Controls Delivery Theme Recommendations

Closure Packs for the Accountability and Controls Delivery Theme Recommendations were on-track for submission by the Due Dates set out in the RAP.

Progress on closing the Accountability and Controls Delivery Theme Recommendations is set out in Table 7.2.

During the Reporting Period the Program was working on the three Recommendation Closure Packs for this Theme.

**Table 7.2: Progress on Accountability and Controls Delivery Theme Recommendations**

#	Recommendation Description	Target State Description	Due Date	Progress
12e	Control environment	The end-to-end risk, obligations and control environment is consistently reviewed and assessed with gaps captured as issues and addressed	May-21	◐
12f	Root causes	A revised standard for Issue Management is consistently met by BU/SUs that ensures root cause analysis is conducted and actions taken	Dec-20 <sup>26</sup>	◐
16	Issue management	The ELT and Board have timely and effective oversight to monitor issues raised by internal audit, regulators, employees and other sources	Dec-20 <sup>27</sup>	◐

<sup>26</sup> The Due Date for Recommendation 12f was moved from September 2020 to December 2020 during the Reporting Period.

<sup>27</sup> The Due Date for Recommendation 16 was moved from September 2020 to December 2020 during the Reporting Period.

## 8. Customer Outcomes Theme Milestones

The Customer Outcomes Theme deals with Inquiry Recommendations on Conduct Risk, customer complaints reporting, identifying systemic issues, and championing the 'should we' question.

The *Inquiry Report* found that CBA had, in the past, applied a narrow definition of Conduct Risk which focused primarily on risk arising through the design and distribution of CBA's products. The Report also found that CBA had difficulty identifying broad, systemic issues in its businesses, including linking sources of risk data across the institution and analysis of customer complaints. The CBA Board did not receive any metrics or analysis of customer complaints and reporting to the Executive Committee did not emphasise severe customer complaints. The Report found that there were examples of decisions being made in which financial objectives were implicitly prioritised over the 'customer voice'.

The *Inquiry Report* recommended that CBA review its Conduct Risk profile in BUs, incorporate the findings into its Conduct Risk Strategy and ensure that Conduct Risk is fully considered in decision-making processes. The Report also recommended that CBA report on customer complaints to the Board and Executive Leadership and prioritise investment in the identification of systemic issues from customer complaints. The Report recommended that Leadership champion the 'should we' question.

CBA's response through the RAP is to put in place changes that will make dealing with CBA simpler and fairer for customers, particularly when things have gone wrong.

In particular, the RAP envisages changes being made to improve the way customer complaints are reported, and systemic issues are identified and fixed. It also envisages embedding the 'should we' question as part of key decision-making processes and actions so there is a clearer focus on ensuring good customer outcomes across the Group.

### 8.1. Status of Customer Outcomes Theme

#### 8.1.1. Status of Customer Outcomes Theme Milestones

Milestones under the Customer Outcomes Theme are on-track for completion by the Due Dates set out in the RAP.

Progress on the Customer Outcomes Theme Milestones is set out in Table 8.1, and is discussed in more detail below.

During the Reporting Period:

- The Program submitted the Closure Pack for one Customer Outcomes Theme Milestone (Milestone 18.3) to Promontory. The Closure Pack was submitted before the relevant Due Date set out in the RAP.
- The Program was working on the two remaining Embed Milestones for this Theme.

At the Reporting Date Promontory was assessing three Customer Outcomes Theme Milestones (Milestones 15.4a, 21.2 and 21.3), the Closure Packs for which were submitted in June 2020. Promontory was yet to start its review of one Customer Outcomes Theme Milestone (Milestone 18.3), the Closure Pack for which was submitted in late September.

## Independent Review of the Commonwealth Bank of Australia's Remedial Action Plan

Ninth Report

October 2020

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 10 of the 16 Customer Outcomes Theme Milestones had been assessed as complete and effective.

**Table 8.1: Progress on Customer Outcomes Theme Milestones**

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Status
15	Conduct Risk Strategy	15.1 Design	Develop and CEO communicate 'Values expectations'	Aug-18	●
		15.2a Design	Develop the Code of Conduct, and accompanying roll out plan	Oct-18	●
		15.2b Design	Ensure the conduct components of Group Risk Management Approach and RAS support improvement in Conduct Risk management	Dec-18	●
		15.3 Implement	Code of Conduct rolled out, including communication and training	Mar-19	●
		15.4 Implement	Implement Conduct Risk Strategy across the Group	Dec-19	●
		15.4a Implement	Update BU/SU risk profiles via Improving RCSA for Conduct first wave prioritised risk types	Jun-20	◐
		15.5 Embed	Conduct Risk Strategy embedded across the Group and Conduct Risk Baseline Guidance material provided	Feb-21	◐
17	Customer complaints	17.1 Design	Design the complaints reporting and define supporting data and system requirements	Dec-18	●
		17.2 Implement	Complaints reports tabled at ELT NFRC, BRCC and BU/SU NFRCs	Oct-19	●
		17.3 Embed	Regular complaints reporting to applicable forums that demonstrates BU/SUs are responding to complaints in a timely manner and addressing underlying issues	Dec-20	◐

## Independent Review of the Commonwealth Bank of Australia's Remedial Action Plan

Ninth Report

October 2020

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Status
18	Systemic issues	18.1 Design	Develop the criteria and plan to enhance systemic issues identification and reporting	Dec-18	●
		18.2 Implement	Systemic issues insights are tabled at ELT NFR, BRCC and BU/SU NFRCs	Oct-19	●
		18.3 Embed	Regular reporting to ELT NFRC and BRCC on systemic issues	Sep-20	◐
21	'Should we'	21.1 Design	Articulate how references to expect customer outcomes will be incorporated into key Group policies	Jun-19	●
		21.2 Implement	Replication of Milestone 21.3	Jun-20	◐
		21.3 Embed	Application of the 'should we' test in governance forums	Jun-20	◐

### 8.1.2. Status of Customer Outcomes Theme Recommendations

Closure Packs for the Customer Outcomes Theme Recommendations are on-track for submission by the Due Dates set out in the RAP.

Progress on closing the Customer Outcomes Theme Recommendations is set out in Table 8.2.





During the Reporting Period:

- The Program submitted the Closure Pack for one Customer Outcomes Theme Recommendation (Recommendation 18) to Promontory. The Closure Pack was submitted before the relevant Due Date set out in the RAP.
- The Program was working on the two remaining Recommendation Closure Packs for this Theme.

At the Reporting Date Promontory was assessing one Customer Outcomes Theme Recommendation (Recommendation 21), the Closure Pack for which was submitted in June 2020. Promontory was yet to start its review of the Closure Pack for one Customer Outcomes Theme Recommendation (Recommendation 18) submitted in September 2020.



**Table 8.2: Progress on Customer Outcomes Theme Recommendations**

#	Recommendation Description	Target State Description	Due Date	Progress
15	Conduct Risk Strategy	The Conduct Risk Strategy, as described in the Risk Management Approach, is fully embedded across the Group, including in key decision-making processes and employee lifecycle management	May-21	
17	Customer complaints	The focus on customer complaints is elevated through regular reporting to the ELT NFRC and Board	Dec-20	
18	Systemic issues	Further system improvements to increase the use of data and analytics to drive insights on systemic issues are developed and implemented	Sep-20	
21	‘Should we’	Championing the ‘should we’ question drives better customer outcomes by ensuring that decision-makers actively consider customer outcomes	Jun-20	

## 9. Culture, Capability and Consequences Theme Milestones

The Culture, Capability and Consequences Theme deals with Inquiry Recommendations on culture, the resourcing and capability of the NFR function, accountability and remuneration.

The *Inquiry Report* identified a set of cultural themes that had inhibited sound risk management in CBA, including widespread complacency, reactivity rather than pre-emption regarding risk, not fully 'walking the talk' when it came to risk management, and over-reliance on good intent.

The *Inquiry Report* found inadequate resourcing and a lack of capability in CBA's operational and compliance risk management functions. It also found that a lack of accountability had been a common theme underlying several of the issues observed in the Inquiry. Further, the *Inquiry Report* observed significant weaknesses in the implementation and broader oversight of the remuneration process in CBA, particularly in adjusting remuneration as a result of poor risk and customer outcomes.

On **culture**, the *Inquiry Report* recommended that CBA take a holistic approach to ensuring a robust and healthy risk culture. It made four Recommendations focused primarily on the role of leaders in driving cultural change.

On **capability**, the *Inquiry Report* recommended that CBA build up the capabilities and subject matter expertise of operational and compliance risk staff.

On **accountability**, the *Inquiry Report* recommended building on the foundation established by the Banking Executive Accountability Regime (**BEAR**) by incorporating a set of Accountability Principles set out in the Report. The Principles are intended to place the onus for individual and collective accountability on the CEO and Executive Leaders.

On **remuneration**, the *Inquiry Report* recommended that CBA introduce changes to its remuneration framework and to the governance and effective application of that framework.

CBA's response through the RAP is to create a culture that recognises the importance of sound operational and compliance risk management, to build the capability of employees to manage these risks, and to deliver consequences for employees whose actions lead to poor outcomes for customers.

In particular, the RAP envisages extensive measures to uplift CBA's risk culture driven by its leaders, measures to uplift the resourcing and capability of its NFR management functions, incorporating and cascading the Accountability Principles through the organisation, and changing the content, governance and application of its remuneration framework.

### 9.1. Status of Culture, Capability and Consequences Theme

#### 9.1.1. Status of Culture, Capability and Consequences Theme Milestones

Milestones under the Culture, Capability and Consequences Theme are on-track for completion by the Due Dates set out in the RAP.

## Independent Review of the Commonwealth Bank of Australia’s Remedial Action Plan

Ninth Report

October 2020

Progress on the Culture, Capability and Consequences Theme Milestones is set out in Table 9.1, and is discussed in more detail below.

During the Reporting Period:

- The Program submitted the Closure Packs for five Culture, Capability and Consequences Theme Milestones (Milestones 13.2, 27.3, 28.3, 29.3 and 30.3) to Promontory. The Closure Packs were submitted before the relevant Due Dates set out in the RAP.
- Promontory assessed 10 Culture, Capability and Consequences Theme Milestones (Milestones 22.3a, 24b.2b, 25a.3, 25b.3, 26.3, 27.2b, 28.2b, 29.2b, 30.2a and 30.2b) as complete and effective. The Closure Packs for these Milestones were submitted in the Sixth and Seventh Reporting Periods.
- The Program was working on the six remaining Embed Milestones for this Theme.

At the Reporting Date Promontory was assessing one Culture, Capability and Consequences Theme Milestone (Milestone 13.2), the Closure Pack for which was submitted in July 2020. Promontory was yet to start its review of four Culture, Capability and Consequences Theme Milestones (Milestones 27.3, 28.3, 29.3 and 30.3), the Closure Packs for which were submitted in late September.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 39 of the 50 Culture, Capability and Consequences Theme Milestones had been assessed as complete and effective.

**Table 9.1: Progress on Culture, Capability and Consequences Theme Milestones**

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
13	Resourcing	13.1 Design	Design the risk capability uplift plan	Mar-19	●
		13.1b Design	Design organisation-wide OR&C capability training plan	Mar-20	●
		13.2 Implement	Risk capability implemented	Jul-20	◐
		13.3 Embed	Refresh of risk capability plans presented to ELT NFRC	Dec-20	◑

# Independent Review of the Commonwealth Bank of Australia's Remedial Action Plan

Ninth Report

October 2020

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
22	Accountability Principles	22.1 Design	Design plans to incorporate and communicate APRA's Accountability Principles into existing accountability frameworks and processes	Dec-18	●
		22.2 Implement	Implement Accountability Principles via BEAR requirements, existing accountability frameworks and staff communication	Nov-19	●
		22.3a Embed	Annual review of the application of the Accountability Principles	Jun-20	●
		22.3b Embed	Failings of accountability consequences are reflected in key individuals' performance reviews and the remunerations and consequences outcomes for FY20	Dec-20	◐
23	Board governance of remuneration	23.1 Design	Develop plans for enhanced Board governance and processes for remuneration	Mar-19	●
		23.2 Implement	Implement enhanced governance processes including increased reporting and review	Dec-19	●
		23.3 Embed	Board PRC exercises stronger governance on CEO and GE remuneration outcomes	Dec-20	◐
24a	CRO assessment	24a.1 Design	Enhance the CRO assessment of CEO and GE risk scorecards	Jun-18	●
		24a.2 Implement	Finalise enhanced CRO assessment of CEO and GE performance	Aug-18	●
		24a.3 Embed	The Board uses further enhanced CRO assessment in determining appropriate CEO and GE remuneration outcomes	Aug-19	●

# Independent Review of the Commonwealth Bank of Australia's Remedial Action Plan

Ninth Report

October 2020

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
24b	Analytics and reporting	24b.1 Design	Develop plan for enhanced analytics and reporting on remuneration outcomes to be provided to the PRC	Jul-19	●
		24b.2 Implement	Improve analytics and reporting provided to Board	Dec-19	●
		24b.2b Embed	Evidence of outcomes and action arising from April 2020 Group Remuneration Policy effectiveness review	Jun-20	●
		24b.3 Embed	Management provides analytics and reporting in line with Target State requirements	Dec-20	◐
24c	Board Risk Committee support	24c.1 Design	Develop co-ordinated approach for Board Committees to ensure that risk outcomes are reflected in CEO and GE remuneration	Mar-19	●
		24c.2 Implement	Co-ordination between BRCC, BAC and PRC and referral of key matters to and sharing of information with PRC	Oct-19	●
		24c.3 Embed	Annual remuneration review and allocation of Short-Term Variable Remuneration (STVR) payments under the new STVR model	Dec-20	◐
25a	Board guidance on risk adjustments	25a.1 Design	Strengthen guidance to management on the Board's expectations for risk adjustments to remuneration outcomes	Mar-19	●
		25a.2 Implement	Incorporate strengthened Board guidance into FY19 remuneration reviews	Aug-19	●
		25a.3 Embed	FY19 remunerations outcomes across all staff reflect Board guidance	Apr-20	●

# Independent Review of the Commonwealth Bank of Australia's Remedial Action Plan

Ninth Report

October 2020

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
25b	Risk function support on risk adjustments	25b.1 Design	Design an enhanced approach for risk assessment that appropriately penalises or rewards risk and compliance outcomes	Mar-19	●
		25b.2 Implement	New process in place to strengthen the role of the risk function in FY19 remuneration reviews	Aug-19	●
		25b.3 Embed	FY19 remuneration outcomes across all staff analysed and reflect robust applications of the risk modifier	Apr-20	●
25c	Communication of outcomes	25c.1 Design	Develop a communications mechanism and strategy to communicate the impact of both good and poor risk outcomes to CBA staff	Oct-18	●
		25c.2 Implement	Communicate good and poor FY18 risk outcomes with the organisation	Nov-18	●
		25c.3 Embed	FY19 risk and remuneration outcomes exhibit appropriate aggregation and anonymisation, and communications approach revised	Nov-19	●
26	Remuneration framework review	26.1 Implement	Implement upside remuneration facility for positive risk assessment	Oct-18	●
		26.2 Design	Review the Group Remuneration Policy, informed by better global practices	Jun-19	●
		26.3 Implement	Reflect enhancements in FY19 remuneration outcomes	Jun-20	●
		26.4 Embed	FY20 remuneration outcomes reviewed by PRC and shown through analysis to be consistent with the fully updated remuneration frameworks and policies	Dec-20	◐

# Independent Review of the Commonwealth Bank of Australia's Remedial Action Plan

Ninth Report

October 2020

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
27	Culture of self-reflection	27.1 Design	Establish baselines and develop plans to uplift risk culture mindsets and behaviours with targeted initiatives on self-reflection	Mar-19	●
		27.2a Implement	Implement targeted interventions on senior leader capability, leadership diagnostics and performance assessment	Mar-20	●
		27.2b Implement	Refresh targeted interventions based on new insights	May-20	●
		27.3 Embed	Embedding of target interventions and periodic monitoring of ongoing progress	Sep-20	◐
28	Personal and authentic leadership	28.1 Design	Establish baselines and develop plans to uplift risk culture mindsets and behaviours, with targeted initiatives on role-modelling by senior leaders	Mar-19	●
		28.2a Implement	Implement targeted interventions and annual re-assessment of leader-led training and senior leader communications	Mar-20	●
		28.2b Implement	Refresh targeted interventions based on new insights	May-20	●
		28.3 Embed	Cross reference Milestone 27.3	Sep-20	◐
29	BU/SU relationships	29.1 Design	Establish baselines and develop plans to uplift risk culture mindsets and behaviours, with targeted initiatives on the relationship between business and risk functions	Mar-19	●
		29.2a Implement	Implement targeted interventions including Lines 1 and 2 engagement forums and career pathways	Mar-20	●
		29.2b Implement	Refresh targeted interventions based on new insights	May-20	●
		29.3 Embed	Cross reference Milestone 27.3	Sep-20	◐

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
30	Vision and Values	30.1 Design	Establish baselines and develop plans to uplift risk culture mindsets and behaviours, with targeted initiatives on conduct and values	Mar-19	●
		30.2a Implement	Implement targeted interventions including communications, recognition, values performance assessment and HR processes	Mar-20	●
		30.2b Implement	Refresh targeted interventions based on new insights	May-20	●
		30.3 Embed	Cross reference Milestone 27.3	Sep-20	◐

### 9.1.2. Status of Culture, Capability and Consequences Theme Recommendations

Closure Packs for the Culture, Capability and Consequences Theme Recommendations are on-track for submission by the Due Dates set out in the RAP.

Progress on closing the Culture, Capability and Consequences Theme Recommendations is set out in Table 9.2.

During the Reporting Period:











- The Program submitted the Closure Packs for four Culture, Capability and Consequences Theme Recommendations (Recommendation 27, 28, 29 and 30) to Promontory. The Closure Packs were submitted before the relevant Due Dates set out in the RAP.
- The Program was working on the nine remaining Recommendation Closure Packs for this Theme.

At the Reporting Date Promontory was yet to start its review of the Closure Packs for four Culture, Capability and Consequences Theme Recommendations (Recommendations 27, 28, 29 and 30) submitted in September 2020.

Taking into account Recommendations assessed as closed in previous Reporting Periods, as at the Reporting Date, a total of one of the 14 Culture, Capability and Consequences Recommendations had been assessed as closed.



**Table 9.2: Progress on Culture, Capability and Consequences Theme Recommendations**

#	Recommendation Description	Target State Description	Due Date	Progress
13	Resourcing	The Group has an adequate number of OR&C Risk Professionals, with the right skill sets to support effective NFR management	Dec-20	
22	Accountability Principles	The Accountability Principles are incorporated for GEs, tailored and cascaded across the Group, and accountability frameworks embedded	Dec-20	
23	Board governance of remuneration	The PRC has the visibility, knowledge and expertise to challenge the Group and Executive remuneration process and its outcomes	Dec-20	
24a	CRO assessment	Formal, documented CRO risk assessment of the effectiveness of risk management within each GE's area of responsibility is provided to the PRC	Mar-20	
24b	Analytics and reporting	The PRC receives comprehensive reporting to enable assurance and challenge of the Group's remuneration outcomes	Dec-20	
24c	Board Risk Committee support	The PRC's approach to remuneration takes account of the full range of current and potential risks through coordination and support from the BAC and BRCC	Dec-20	
25a	Board guidance on risk adjustments	The Board sets the tone from the top with clear expectations and comprehensive guidance and criteria on how adjustment to remuneration should be determined for positive or poor risk outcomes and behaviours	Nov-20	
25b	Risk function support on risk adjustments	Robust application of the risk assessment process, and the risk modifier supported by challenge from the Risk function to link risk outcomes with remuneration	Nov-20	
25c	Communication of outcomes	Internal and external transparency and communication of the remuneration impact of positive and poor risk outcomes reinforces the Group's culture expectations and accountabilities	Nov-20	
26	Remuneration framework review	All key remuneration frameworks and practices are reviewed and, where appropriate, aligned to better global practice	Dec-20	

#	Recommendation Description	Target State Description	Due Date	Progress
27	Culture of self-reflection	Senior Leader demonstrate appreciation and capability for reflection, challenge and learning	Sep-20	
28	Personal and authentic leadership	Senior Leader capabilities are uplifted to enable role modelling of good risk management	Sep-20	
29	BU/SU relationships	Relationships of mutual respect and open communication, between BU/SU and risk counterparts at all levels	Sep-20	
30	Vision and Values	The Group's refreshed values set clear expectations for the ethical behaviours and pro-active action to deliver optimal outcomes	Sep-20	

## 9.2. Culture, Capability and Consequences Theme Milestone Assessment Outcomes

### 9.2.1. Assessment of Recommendation 22 Milestone

The Target State for Recommendation 22 is that:

- the Accountability Principles set out in the Inquiry Report are incorporated into Accountability Statements for GEs and cascaded across the Group; and
- the culture and framework for accountability are embedded in the Group to ensure clarity of ownership, strong end-to-end collective accountability, and proportionate consequences for poor risk and customer outcomes.

#### a) Milestone 22.3a

Milestone 22.3a (the first of two Embed Milestones for this Recommendation) requires an annual review of the application of the Accountability Principles including a refresh (as appropriate) of the Principles themselves.

CBA confirmed and provided evidence that:

- Accountability Statements for Executive Accountable Persons have been reviewed by the BEAR Supervisory Office (**BSO**) to confirm that each Statement incorporates the Accountability Principles;
- ‘Statements of Accountabilities’ for the Designated Reports (e.g., the EGM level) have been reviewed to confirm that each incorporates the tailored Accountability Principles;
- the Accountability Principles have been reviewed and refreshed by the BSO; and
- CBA has developed a BEAR policy, procedure and guidance to support the embedment of the Accountability Principles.

CBA provided a Sustainability Plan for this Milestone designed to ensure the elements of the Target State that relate to the incorporation of the Accountability Principles continue on an ongoing basis. CBA will provide an updated Sustainability Plan under Milestone 22.3b to address the full Target State.

After reviewing the Closure Pack for this Milestone, Promontory requested and received further information and interviewed relevant stakeholders on matters including:

- the status of artefacts used to document Executive Accountable Persons fulfilment of BEAR obligations; and
- the criteria for the annual review of the Accountability Principles.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that CBA has adequately refreshed the Accountability Principles, reviewed the application of the Accountability Principles, and incorporated the Principles in the relevant accountability artefacts.

As such, we consider the Milestone to provide a sound basis for achieving the Target State and that it is, therefore, complete and effective.

In finalising our assessment we foreshadowed that our assessment of the second Embed Milestone for this Recommendation will consider whether the transition from 'Statements of Accountabilities' to 'Statements of Responsibilities' for Designated Reports has been consistently completed.

### **9.2.2. Assessment of Recommendation 24b Milestone**

The Target State for Recommendation 24b is for the PRC to receive comprehensive reporting which enables it to challenge CBA's remuneration outcomes. This reporting should cover:

- the appropriateness of BU/SU variations in risk reduction;
- links between consequences and remuneration outcomes; and
- remuneration policy effectiveness, and the application of the risk modifier and values assessment.

The reporting should be supported by management guidance on the appropriate level of risk reductions.

#### **a) Milestone 24b.2b**

Milestone 24b.2b (an Implement Milestone) requires CBA to evidence outcomes and actions arising from PRC consideration of the April 2020 Group Remuneration Policy effectiveness review.

CBA confirmed and provided evidence that the PRC received and considered the 2020 effectiveness review. The review included analysis conducted by an external party and concluded that the Group Remuneration Policy is 'broadly effective'.

The PRC also considered a number of recommendations based on the findings of the effectiveness review, particularly in relation to data capture, analytics and reporting tools.

Due to the confidential nature of the material, Promontory reviewed a number of documents at CBA's offices.

Based on our assessment of the Milestone Closure Pack, we concluded that CBA had conducted an appropriately scoped Group Remuneration Policy effectiveness review that was in line with the effectiveness criteria submitted at Milestone 24b.1, and committed to a planned approach to improvements.

As such, we consider the Milestone to provide a sound basis for achieving the Target State and that it is, therefore, complete and effective.

In finalising our assessment we foreshadowed that, as part of our assessment of the Embed Milestone for this Recommendation, we will consider progress made on improvements to data and systems to support deeper analysis of remuneration outcomes and policy effectiveness, and the planned governance of longer-term technology activities.

### **9.2.3. Assessment of Recommendation 25a Milestone**

The Target State for Recommendation 25a is for the Board to set clear expectations and provide comprehensive guidance and criteria on how adjustments to remuneration should be determined for positive or poor risk outcomes.

#### **a) Milestone 25a.3**

Milestone 25a.3 (an Embed Milestone) requires that:

- FY19 remuneration outcomes reflect the Board guidance;
- the Board receives analysis and reporting on the effectiveness of the guidance and consistency of implementation (including whether adjustments are of sufficient magnitude to incentivise positive risk and compliance behaviour); and
- further enhancements are made to the FY20 cycle based on feedback and analysis.

CBA confirmed and provided evidence that:

- FY19 remuneration outcomes were reported to the PRC (and the Board Concurrent Committee);
- these reports provided analysis of the adjustments to remuneration for positive and poor risk outcomes and the effectiveness of the Board guidance; and
- areas of enhancement were identified based on the analysis of FY19 outcomes and feedback, including enhancements made to the Board guidance to apply to FY20.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestones 25a.1 and 25a.2 in relation to:

- the extent and quality of additional supporting guidance; and
- how the guidance documents work together as an integrated suite.

CBA provided a Sustainability Plan for this Milestone designed to ensure the Target State continues on an ongoing basis. The Sustainability Plan has a number of elements including frameworks, accountabilities, governance, reporting and a flowchart on the cadence of BAU activities.

After reviewing the Closure Pack for this Milestone, Promontory requested and received further information and interviewed relevant stakeholders on matters including:

- the extent of analysis and PRC discussion on the effectiveness of the Board guidance;
- plans to further uplift data interpretation and analysis;
- the application of the Board guidance to Aussie Home Loans (**AHL**) and CMLA;
- the development of a library or database on consequence management examples; and
- the design of the Sustainability Plan (including in relation to controls and the Standard Operating Procedure).

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that the Board received adequate analysis and reporting on the effectiveness of the Board guidance and consistency of implementation for FY19, with enhancements made to the guidance and supporting processes to apply to the FY20 cycle.

As such, we consider that:

- the Milestone's Closure Criteria have been met;
- CBA has adequately addressed matters raised in our assessment of prior Milestones for this Recommendation;
- the Target State has been achieved; and
- the design of the Sustainability Plan is sufficient to support the maintenance of the Target State on an ongoing basis.

The Milestone is, therefore, complete and effective.

#### **9.2.4. Assessment of Recommendation 25b Milestone**

The Target State for Recommendation 25b is the robust application of the risk assessment process and the risk modifier, with challenge from the risk function, to link risk outcomes with remuneration.

##### **a) Milestone 25b.3**

Milestone 25b.3 (an Embed Milestone) requires FY19 remuneration outcomes to be analysed for all employees and to reflect robust and consistent application of the risk modifier. Further areas for enhancement are to be identified with changes implemented for forthcoming performance review cycles.

CBA confirmed and provided evidence that:

- BU/SU CROs provided constructive challenge of inconsistencies, outliers and levels of STVR adjustment for the FY19 annual performance review;

- FY19 remuneration outcomes were analysed and reported to the PRC (and the concurrent meeting of the Board sub-committees), evidencing a more robust and consistent application of the risk modifier and the risk assessment process; and
- areas of enhancement were identified to apply to the FY20 annual review cycle, including enhancements to the supporting guidance and tools.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestones 25b.1 and 25b.2 in relation to:

- having a wider range of data sources and metrics reviewed by the BU/SU CROs;
- the ease of access to data and metrics for BU/SU CROs;
- adequacy of the analysis and calibration by Group Operational Risk; and
- enhancing supporting guidance material.

CBA provided a Sustainability Plan for this Milestone designed to ensure the Target State continues on an ongoing basis. The Sustainability Plan has a number of elements including frameworks and processes, accountabilities, governance and reporting.

After reviewing the Closure Pack for this Milestone, Promontory requested and received further information and interviewed relevant stakeholders on matters including:

- the post-implementation review conducted by the Risk Assessment team;
- reporting to and discussion by the Board on effectiveness of the risk function challenge;
- the level of risk function challenge in AHL and CMLA; and
- the design of the Sustainability Plan, in relation to assessing the effectiveness of the risk function challenge.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that CBA has adequately analysed FY19 remuneration outcomes, with challenge by the risk function, to ensure that outcomes reflect robust and consistent application of the risk modifier. Further areas for enhancement were identified with changes to be implemented for the FY20 annual review process.

As such, we consider that:

- the Milestone's Closure Criteria have been met;
- CBA has adequately addressed matters raised in our assessment of prior Milestones for this Recommendation;
- the Target State has been achieved; and
- the design of the Sustainability Plan is sufficient to support the maintenance of the Target State on an ongoing basis.

The Milestone is, therefore, complete and effective.

In finalising our assessment we foreshadowed that our assessment when closing this Recommendation will include consideration of the following:

- whether constructive challenge was conducted and clearly documented in BU/SU CRO challenge templates for all BU/SUs; and
- whether review of BU/SU CRO challenge outcomes was formally reported to the Risk Management Leadership Team and/or the Group CRO.

### **9.2.5. Assessment of Recommendation 26 Milestone**

The Target State for Recommendation 26 is that remuneration practices are consistent with global better practice, with a strong alignment between remuneration and risk management, and that those remuneration practices are operationalised with effective governance.

#### **a) Milestone 26.3**

Milestone 26.3 (an Implement Milestone) requires evidence that CBA's Group Remuneration Policy and key frameworks have been enhanced in FY19 and FY20 including alignment to global better practice, and stronger alignment between remuneration and management of risk.

CBA confirmed and provided evidence that:

- the PRC reviewed global better practice in its approval of various design elements of the remuneration framework;
- enhancements have been made to policies relating to the application of malus, risk upside and STVR reduction; and
- it has reviewed the impact of changes to the remuneration framework and made further enhancements to the FY20 performance cycle.

Based on our assessment of the Milestone Closure Pack, we concluded that CBA has made appropriate progress in reviewing and updating its FY19 and FY20 performance cycle frameworks.

As such, we consider the Milestone to provide a sound basis for achieving the Target State and that it is, therefore, complete and effective.

In finalising our assessment we foreshadowed that our assessment of the Embed Milestone for this Recommendation will consider:

- the application of collective accountability; and
- the status of considerations in relation to clawback.

## **9.2.6. Assessment of Recommendation 27 Milestone**

The Target State for Recommendation 27 is for senior leaders, including the ELT, to demonstrate capability for reflection, challenge and learning, with this shown by taking time to personally reflect on issues and absorb lessons, displaying a lack of defensiveness in receiving challenge, emphasising actions to establish feedback loops and 'risk memory', and prioritising optimal outcomes over collegiality.

### **a) Milestone 27.2b**

Milestone 27.2b (an Implement Milestone) is one of four closely linked Milestones (Milestones 27.2b to 30.2b) which are intended to shift mindsets and behaviours. Common to each of Milestones 27.2b to 30.2b is the need to refresh plans for targeted interventions based on the annual re-assessment of risk culture progress against the previous baseline, feedback and assessment of impact.

Milestone 27.2b requires refreshed interventions in relation to senior leader capability for reflection, challenge and learning.

CBA confirmed and provided evidence that:

- the results from the 2020 Risk Culture Assessment have been considered, along with feedback and evaluation results from the targeted interventions implemented to date under the Culture Change Roadmap;
- it has refreshed plans for targeted interventions and developed a Culture Change Roadmap for Horizon 3; and
- new interventions that focus on senior leader capability, including 'working across boundaries' and the 'values refresh', have been designed.

After reviewing the Closure Pack for this Milestone, Promontory requested and received further information and interviewed relevant stakeholders on matters including:

- plans to further embed the '5 skills';
- plans to address previously identified areas for improvement and lessons learnt from prior interventions;
- the impact of the Pandemic on Horizon 3 interventions; and
- the progress of work to develop BU/SU-specific interventions, including to address any identified differences in BU/SU sub-cultures.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that CBA has adequately refreshed plans for targeted interventions in relation to senior leader capability for reflection, challenge and learning, based on the annual re-assessment of risk culture, feedback and assessment of impact.

As such, we consider the Milestone to provide a sound basis for achieving the Target State and that it is, therefore, complete and effective.



In finalising our assessment we foreshadowed that our assessment of the Embed Milestone for this Recommendation will consider:

- AHL activities to address outstanding interventions;
- the framework for assessing senior leader performance against the Target State behaviours; and
- plans developed and actions agreed by each BU/SU to address any differences in sub-cultures and specific risk culture weaknesses pertinent to their BU/SUs.

### **9.2.7. Assessment of Recommendation 28 Milestone**

The Target State for Recommendation 28 is that senior leader capabilities are uplifted to enable role-modelling of good risk management behaviours including (i) the key behaviours of reflection, challenge and continuous learning, (ii) NFR awareness and ownership, and (iii) authentic emphasis, communication and training of their teams on good risk management expectations.

#### **a) Milestone 28.2b**

As noted above, Milestone 28.2b (an Implement Milestone) is one of four closely linked Milestones intended to shift mindsets and behaviours.

This Milestone requires refreshed interventions in relation to senior leader role modelling and embedding of good risk management behaviours.

CBA confirmed and provided evidence that:

- the results from the 2020 Risk Culture Assessment have been considered, along with feedback and evaluation results from the targeted interventions implemented to date under the Culture Change Roadmap;
- CBA has refreshed plans for targeted interventions and developed a Culture Change Roadmap for Horizon 3; and
- new interventions that focus on senior leader communication skills, including 'working across boundaries' and 'cascade tone from the top', have been designed.

After reviewing the Closure Pack for this Milestone, Promontory requested and received further information and interviewed relevant stakeholders on matters including:

- how individual leaders have been identified and supported for further development in relation to their tone from the top; and
- how training has been designed to specifically address strengthening the tone from the top.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that CBA has adequately refreshed plans for targeted interventions in relation to senior leader role modelling and embedding of good risk management behaviours, based on the annual re-assessment of risk culture, feedback and assessment of impact.

As such, we consider the Milestone to provide a sound basis for achieving the Target State and that it is, therefore, complete and effective.

In finalising our assessment we foreshadowed that our assessment of the Embed Milestone for this Recommendation will consider the content, scope and implementation of training relevant to supporting the Target State.

### **9.2.8. Assessment of Recommendation 29 Milestone**

The Target State for Recommendation 29 is for CBA to shift mindsets and behaviours to consider risk as integral to strategic decision-making and seeing the risk function as providing credible support and challenge to ensure good risk and customer outcomes. Relationships of mutual respect and open communication between BU/SU and risk counterparts at all levels are enabled by clear roles and responsibilities, strengthened risk capabilities and 360-feedback.

#### **a) Milestone 29.2b**

As noted above, Milestone 29.2b (an Implement Milestone) is one of four closely linked Milestones intended to shift mindsets and behaviours.

The Milestone requires refreshed interventions in relation to developing mutual respect by way of Line 1 and Line 2 engagement forums and career pathways.

CBA confirmed and provided evidence that:

- the results from the 2020 Risk Culture Assessment have been considered, along with feedback and evaluation results from the targeted interventions implemented to date under the Culture Change Roadmap;
- CBA has refreshed plans for targeted interventions and developed a Culture Change Roadmap for Horizon 3; and
- new interventions that focus on mutual respect, including training to support sharing risk-focussed lessons learnt and other challenging communications, have been designed.

After reviewing the Closure Pack for this Milestone, Promontory requested and received further information and interviewed relevant stakeholders on matters including:

- the governance of interventions to support Line 1 and Line 2 working relationships; and
- how CBA has addressed results in specific BU/SUs that suggest weaker Line 1 and Line 2 working relationships.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that CBA has adequately refreshed plans for targeted interventions in relation to developing mutual respect, based on the annual re-assessment of risk culture, feedback and assessment of impact.

As such, we consider the Milestone to provide a sound basis for achieving the Target State and that it is, therefore, complete and effective.

In finalising our assessment we foreshadowed that our assessment of the Embed Milestone for this Recommendation will consider:

- the governance of interventions beyond the closure of the Recommendation; and
- BU/SU specific plans for addressing comparative weaker Line 1 and Line 2 working relationships.

### **9.2.9. Assessment of Recommendation 30 Milestone**

The Target State for Recommendation 30 is that the refreshed CBA values set clear expectations for ethical behaviour of staff and pro-active action to deliver optimal outcomes. Positive behaviours of questioning and reflection are embedded in the day-to-day work patterns of staff. Recognition programs, consequence management and career progression reinforce and give staff skin-in-the-game to deliver good risk and customer outcomes.

#### **a) Milestone 30.2a**

Milestone 30.2a (an Implement Milestone) is one of four closely linked Milestones (Recommendations 27 to 30) intended to shift mindsets and behaviours.

Common to each of Milestones 27.2a to 30.2a is the requirement for a re-assessment of risk culture progress against the baseline and to implement targeted interventions relevant to the Target State of the Recommendation, as part of a comprehensive cultural change roadmap. Periodic monitoring of ongoing progress is also required.

This Milestone requires implementation of targeted interventions in relation to communications, the establishment of recognition programs, performance assessment against values expectations, and risk focus in HR processes and career pathways.

CBA confirmed and provided evidence that:

- risk culture progress has been re-assessed against the previous baseline;
- a range of interventions have been implemented to drive better values-related outcomes and behaviours, including communication campaigns, customer connection programs, updated onboarding, recruitment and promotion processes, and the launch of annual and quarterly Excellence Awards; and
- intervention feedback has been gathered with a number of the interventions subject to a comprehensive evaluation exercise.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 30.1 in relation to the Group-wide criteria for the Excellence Awards, and the guidance provided on the program and the accompanying criteria.

After reviewing the Closure Pack for this Milestone, Promontory requested and received further information and interviewed relevant stakeholders on matters including:

- changes to onboarding and recruitment processes, and the extent of supporting guidance provided;
- plans for evaluating and monitoring the impact of updated HR and career pathways processes;

- plans to assess the level of message fatigue in relation to communications campaigns; and
- financial rewards under the recognition programs.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that CBA has implemented appropriate interventions in relation to communications, the establishment of recognition programs, performance assessment against values expectations, and risk focus in HR processes and career pathway.

As such, we consider the Milestone to provide a sound basis for achieving the Target State and that it is, therefore, complete and effective.

In finalising our assessment we foreshadowed that our assessment of the Embed Milestone for this Recommendation will consider the impact of new HR and talent and career processes.

## **b) Milestone 30.2b**

As noted above, Milestone 30.2b (an Implement Milestone) is one of four closely linked Milestones intended to shift mindsets and behaviours.

This Milestone requires refreshed interventions in relation to embedding the values and delivering good risk and customer outcomes.

CBA confirmed and provided evidence that:

- the results from the 2020 Risk Culture Assessment have been considered, along with feedback and evaluation results from the targeted interventions implemented to date under the Culture Change Roadmap;
- CBA has refreshed plans for targeted interventions and developed a Culture Change Roadmap for Horizon 3; and
- new interventions have been designed that focus on delivering good risk and customer outcomes, including the 'values refresh' and 'working across boundaries'.

After reviewing the Closure Pack for this Milestone, Promontory requested and received further information and interviewed relevant stakeholders on matters including:

- the implications of the 'values refresh' on related interventions;
- plans to address lessons learnt from prior interventions; and
- progress of the job architecture project.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that CBA has adequately refreshed plans for targeted interventions in relation to embedding the values and delivering good risk and customer outcomes, based on the annual re-assessment of risk culture, feedback and assessment of impact.

As such, we consider the Milestone to provide a sound basis for achieving the Target State and that it is, therefore, complete and effective.

## 10. Program Execution Theme Milestones

The Program Execution Theme deals with Inquiry Recommendations on aspects of managing the Program to deliver against *Inquiry Report* Recommendations, strengthening the role of Line 2 in Risk in Change processes (that is processes to consider the risk implications of and controls required to manage impacts of material change programs), and improving prioritisation of investment in risk and regulatory projects.

The *Inquiry Report* noted that CBA's track record in delivering major risk initiatives had been a chequered one. It noted that remediation programs that fail typically do so not for want of design, but for want of execution.

The *Inquiry Report* also found that adequate measures had not been in place to ensure sufficient Line 2 oversight of Risk in Change assessments. It also found that CBA had generally only addressed risk, compliance and resilience issues on a reactive basis once they had become 'high-rated' issues.

On program execution, the *Inquiry Report* recommended CBA senior leadership be identified, held accountable and remunerated for the success of major risk initiatives. It recommended that organisational capacity be created to deliver the Program, and that rigorous project disciplines for delivering risk initiatives be developed. It also recommended that CBA strengthen the Risk in Change process to ensure effective oversight from Line 2, and take a more pre-emptive approach to investments in risk management, compliance, and resilience areas.

CBA's response through the RAP is to strengthen implementation of change programs by implementing and maintaining delivery standards, sharing insights and focusing on building the capability of people charged with delivering programs.

In particular, the RAP envisages enhanced project management disciplines, strengthened Line 2 involvement in Risk in Change activities and improved processes for prioritisation of risk management program investments.

### 10.1. Status of Program Execution Theme

#### 10.1.1. Status of Program Execution Theme Milestones

Milestones under the Program Execution Theme are on-track for completion by the Due Dates set out in the RAP.

Progress on the Program Execution Theme Milestones is set out in Table 10.1, and is discussed in more detail below.

As noted in section 2.1, the Program added one new Milestone (Milestone 35.3b) to this Theme during the Reporting Period. Milestone 35.3b requires all Embed Milestones to be assessed as complete and effective, and brings the Embed Milestones of Recommendation 35 into line with changes previously made to Design and Implement Milestones.

During the Reporting Period:

- The Program submitted Closure Packs for six Program Execution Theme Milestones (Milestones 11.4, 20.3, 33a.3, 33b.3, 34.2 and 34.3) to Promontory. The Closure Packs were submitted before the relevant Due Dates set out in the RAP.

## Independent Review of the Commonwealth Bank of Australia's Remedial Action Plan

Ninth Report

October 2020

- Promontory assessed one Program Execution Theme Milestone (Milestone 35.2a) as complete and effective. The Closure Pack for this Milestone was submitted in the Seventh Reporting Period.
- The Program was working on the one remaining Implement Milestone and four remaining Embed Milestones for this Theme.

At the Reporting Date Promontory was assessing five Program Execution Theme Milestones (Milestones 11.4, 20.3, 33a.3, 33b.3 and 34.2), the Closure Packs for which were submitted in July and August 2020. Promontory was yet to start its review of one Program Execution Theme Milestone (Milestone 34.3), the Closure Pack for which was submitted in late September.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, 17 of the 28 Program Execution Theme Milestones had been assessed as complete and effective.

**Table 10.1: Progress on Program Execution Theme Milestones**

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
11	Risk in Change	11.1 Design	Revise Risk in Change practices to strengthen the role of Line 2	Jul-19	●
		11.2 Design	Develop BU/SUs plans to implement the revised Risk in Change methodology, and update the Line 2 assurance program	Sep-19	●
		11.3 Implement	BU/SUs implement Risk in Change methodology	Apr-20	●
		11.4 Embed	BU/SUs have demonstrated effectiveness of Risk in Change in core processes as evaluated by Line 2	Aug-20	◐
20	Investment prioritisation	20.1 Design	Revise the Change Investment Process (CIP) in relation to risk and regulatory projects	Dec-18	●
		20.2 Implement	Develop quarterly ELT dashboard on investment allocation	Nov-19	●
		20.3 Embed	CIP cycle completed having incorporated new process and with new reporting on emerging risk and pre-emptive risk investment	Jul-20	◐

# Independent Review of the Commonwealth Bank of Australia's Remedial Action Plan

Ninth Report










October 2020

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
31	Skin in the game	31.1 Design	Define changes to the CBA GDF to require CBA delivery leads to have appropriate skills and experience, and with KPIs/objectives tied to successful program delivery	Sep-18	●
		31.2 Implement	Identify programs that require senior leaders to perform a lead role and update KPIs	Dec-18	●
		31.3 Embed	Performance Reviews of Bear Accountable Executives, sponsors and delivery leads reflect delivery KPI allocations	Nov-20	◐
32	Consequences	32.1 Design	Define changes to the GDF in relation to remuneration outcomes reflecting delivery requirements and accountabilities	Mar-19	●
		32.2 Implement	Update KPIs for relevant staff to reflect delivery requirements and standards	Nov-19	●
		32.3 Embed	Refer to Milestone 31.3	Nov-20	◐
33a	Organisation capacity	33a.1 Design	Define resourcing and technology needs to support delivery of the 35 APRA Recommendations	Sep-18	●
		33a.2 Implement	BU/SU Better Risk Outcomes Program resource forecasting process defined	Mar-19	●
		33a.3 Embed	Regularly review BU/SU resource forecasting	Jul-20	◐
33b	Organisation capacity	33b.1 Design	Design 'capacity' prioritisation processes and guidelines to assist with program decisioning	Nov-18	●
		33b.2 Implement	Stop or defer existing Programs as directed by ELT and reallocate funding to delivery of Recommendations	Dec-18	●
		33b.3 Embed	Regularly consider in line with the CIP process the need to stop Programs in flight	Jul-20	◐

## Independent Review of the Commonwealth Bank of Australia's Remedial Action Plan

Ninth Report

October 2020

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
34	Project disciplines and review	34.1 Design	Enhance the GDF to ensure it is fit for purpose for all Programs in the Group	Dec-18	
		34.2 Implement	Implement enhanced GDF	Jul-20	
		34.3 Embed	Regularly consolidate a Program status view of all CIP endorsed Programs	Sep-20	
35	Embedding project framework	35.1a Design	Deliver Sustainability Plan template, Recommendation Closure approach and Recommendation Groupings	Mar-20	
		35.1b Design	All Design Milestones are assessed as effective	Mar-20	
		35.2a Implement	Develop Recommendation Grouping Sustainability Plans and define Implementation Plans	Mar-20	
		35.2b Implement	All Implement Milestones are assessed as complete and effective	Dec-20	
		35.3a Embed	All Recommendations assessed as closed	Jun-21 <sup>28</sup>	
		35.3b <sup>29</sup> Embed	All Embed Milestones assessed as complete and effective	Jun-21	

### 10.1.2. Status of Program Execution Theme Recommendations

Closure Packs for the Program Execution Theme Recommendations are on-track for submission by the Due Dates set out in the RAP.

Progress on closing Program Execution Theme Recommendations is set out in Table 10.2.

<sup>28</sup> The Due Date for Milestone 35.3a was moved from February 2021 to June 2021 during the Reporting Period.

<sup>29</sup> Milestone 35.3 was renamed to Milestone 35.3a due to the addition of Milestone 35.3b.



## Independent Review of the Commonwealth Bank of Australia's Remedial Action Plan

Ninth Report







October 2020

During the Reporting Period:


- The Program submitted the Closure Packs for four Program Execution Theme Recommendations (Recommendations 20, 33a, 33b and 34) to Promontory. The Closure Packs were submitted before the relevant Due Dates set out in the RAP.
- The Program was working on the four remaining Recommendation Closure Packs for this Theme.

At the Reporting Date Promontory was assessing three Program Execution Theme Recommendations (Recommendations 20, 33a and 33b), the Closure Packs for which were submitted in July 2020. Promontory was yet to start its review of the Closure Pack for one Program Execution Theme Recommendation (Recommendation 34) submitted in September 2020.

**Table 10.2: Progress on Program Execution Theme Recommendations**

#	Recommendation Description	Target State Description	Due Date	Progress
11	Risk in Change	A standard methodology for Risk in Change is implemented across the Group, with Line 1 applying the methodology consistently, supported by 'approve or accept' from Line 2	Nov-20 <sup>30</sup>	
20	Investment prioritisation	The Group's CIP provides a more balanced view of risk considerations which will promote greater consideration of emerging risks, resilience issues, and risk outcomes	Jul-20	
31	Skin in the game	GEs allocate Delivery Leads with the appropriate skills and experience to lead CIP endorsed Programs	Nov-20	
32	Consequences	Remuneration outcomes for leaders of CIP Programs will be aligned and adequately reflect formal assessment of successful Program delivery	Nov-20	
33a	Organisation capacity	The Group ensures sufficient resources are made available to ensure the prioritisation of the APRA Recommendations through to successful delivery	Jul-20	
33b	Organisation capacity	The Group ensures sufficient resources are made available to ensure the prioritisation of the APRA Recommendations through to successful delivery	Jul-20	
34	Project disciplines and review	Consistent application of the updated GDF with identification of non-adherence readily identifiable and appropriate consequence management applied	Sep-20	

<sup>30</sup> The Due Date for Recommendation 11 was moved from August 2020 to November 2020 during the Reporting Period.

#	Recommendation Description	Target State Description	Due Date	Progress
35	Embedding project framework	In-scope businesses have aligned to RAP outcomes, as designed and iterated, and have effectively embedded these into day-to-day operations	Jun-21	

## 10.2. Program Execution Theme Milestone Assessment Outcomes

### 10.2.1. Assessment of Recommendation 35 Milestone

The Target State for Recommendation 35 is that in-scope businesses have aligned to RAP outcomes as designed and iterated and have effectively embedded these into the day-to-day operations of the Group through the operationalisation of Sustainability Plans.

#### a) Milestone 35.2a

Milestone 35.2a (an Implement Milestone) requires Sustainability Plans to be developed for each Recommendation Group, and Implementation Plans to operationalise each of those Sustainability Plans to be defined.

CBA confirmed and provided evidence that:

- a Grouping Level Sustainability Plan has been developed for each of the Recommendation Groupings set out in Milestone 35.1a;
- the Grouping Level Sustainability Plans have been endorsed by the ELT; and
- an Implementation Plan to operationalise each Grouping Level Sustainability Plan has been developed.

After reviewing the Closure Pack for this Milestone, Promontory requested and received further information and interviewed relevant stakeholders on matters including:

- the format of the Grouping Level Sustainability Plans;
- the timeframe in which CBA plans to update the Grouping Level Sustainability Plans; and
- the ongoing role of the Grouping Level Sustainability Plans.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that Sustainability Plans had been developed for each Recommendation Group, and Implementation Plans to operationalise each of those Sustainability Plans had been defined.

As such, we consider the Milestone to provide a sound basis for achieving the Target State and that it is, therefore, complete and effective.



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