



# 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

## Twelfth Report

30 July 2021

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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 Twelfth report (**Twelfth 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 April 2021 to 30 June 2021. 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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## Definitions

3LoA	Three Lines of Accountability
APRA	Australian Prudential Regulation Authority
BAC	Board Audit Committee
BAU	Business-as-usual
BEAR	Banking Executive Accountability Regime
BRCC	Board Risk and Compliance Committee
BUs	Business Units
CAP	Control Assessment Program
CBA or the Bank	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
CRO	Chief Risk Officer
EGM	Executive General Manager
Eighth Report	Promontory’s eighth report dated 31 July 2020
Eleventh Report	Promontory’s eleventh report dated 30 April 2021
ELT	Executive Leadership Team
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
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>

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<i>Inquiry Report</i>	<i>The Prudential Inquiry into the Commonwealth Bank of Australia (CBA) Final Report</i>
KPI	Key Performance Indicator
NFR	Non-Financial Risk
NFRC	Non-Financial Risk Committee
Ninth Report	Promontory's ninth report dated 30 October 2020
OR&C	Operational Risk and Compliance
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, 31 July 2020, 30 October 2020, 29 January 2021 and 30 April 2021
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
RCSA	Risk and Controls Self-Assessment
Recommendations	The 45 recommendations that make up the RAP
Reporting Date	30 June 2021
Reporting Period	1 April 2021 to 30 June 2021
RiC	Risk in Change
RiS	RiskInSite
RMAP	Risk Management Action Plan
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
SUs	Support Units
STVR	Short-Term Variable Remuneration
Sustainability Plan	Plan to ensure that the Target State of a Recommendation will be maintained on an ongoing basis
Tenth Report	Promontory's tenth report dated 29 January 2021
Theme	A shared theme of a series of Recommendations

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Third Report	Promontory's third report dated 30 April 2019
Transition Period	The period beyond submission of the final Recommendation of the RAP during which work in relation to the findings of the Prudential Inquiry will continue
Transition Period Plan	The plan developed for the body of work that is to be completed during the Transition Period
Twelfth Report	Promontory's twelfth report dated 30 July 2021



## Executive Summary

This is the twelfth report (**Twelfth 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** or **the Bank**) 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**), 31 July 2020 (**Eighth Report**), 30 October 2020 (**Ninth Report**), 29 January 2021 (**Tenth Report**) and 30 April 2021 (**Eleventh Report**)<sup>1</sup>.

The Twelfth 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 April 2021 and 30 June 2021 (the **Reporting Period**). The status of RAP Milestones is reported as at 30 June 2021 (the **Reporting Date**).

### **Overall Observations**

At the Reporting Date, the Program had delivered Closure Packs for all 177 Milestones and 45 Recommendations<sup>2</sup> to Promontory for assessment. Only seven Embed Milestones and six Recommendations remained to be assessed as closed.

The delivery of the Program on schedule and, more importantly, the changes that have been made to the way in which CBA operates, are achievements of which CBA can rightfully be proud.

During the Reporting Period the Board and Executive Leadership Team (**ELT**) endorsed the scope of and approach to the work to be done during the Prudential Inquiry Transition Period<sup>3</sup> (**Transition Period**). Importantly, during the Transition Period, Business Units and Support Units (**BU/SUs**) will take on greater responsibility for determining the timing of certain elements of the Transition Period Plan.

The Program has also determined which governance forums will operate during the Transition Period. The two BU/SU-level forums involved in delivering the Transition Period Plan will play a particularly important role as responsibility for sustaining Program outcomes continues in the BU/SUs.

The Group Chief Controls Officer (**CCO**) continued to monitor whether the mechanisms designed to maintain the outcomes of the Program are operating effectively. There has been an appropriate level of focus on outcomes, in addition to reviews of key processes, in the Group CCO's sustainability assessments to date.

While there is still some work to do to close the remaining Milestones and Recommendations, we expect our assessments will be completed in due course and future work will increasingly focus on the Transition Period.

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<sup>1</sup> Promontory's First, Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth and Tenth Reports are available [here](#), [here](#), [here](#), [here](#), [here](#), [here](#), [here](#), [here](#), [here](#) and [here](#) respectively. As at the Reporting Date, our Eleventh Report had not yet been publicly released. CBA plans to publish the Eleventh Report, along with this Report, in August 2021.

<sup>2</sup> While the *Inquiry Report* made 35 Recommendations, the RAP splits some of these into multiple parts, resulting in 45 Recommendations in total.

<sup>3</sup> The Transition Period is the period beyond submission of the final Recommendation of the RAP during which work in relation to the findings of the Prudential Inquiry will continue. The nature of Transition Period is discussed further in section 2.2.6.

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## Program Progress

At the Reporting Date all Milestone and Recommendation Closure Packs had been delivered to Promontory.

Both the Design and Implement Phases of the Program have been completed. By the Reporting Date, CBA had submitted Milestone Closure Packs to Promontory evidencing completion of work on all 57 Design Milestones<sup>4</sup> and 69 Implement Milestones. Based on a review of the Closure Packs, other documents and interviews with key stakeholders, Promontory had assessed all Design and Implement Milestones as complete and effective.

The Program has completed work on all Embed Milestone Closure Packs. By the Reporting Date:

- CBA had submitted Milestone Closure Packs to Promontory evidencing completion of work on all 51 Embed Milestones (three 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 44 Embed Milestones as complete and effective (eight of which were assessed during the Reporting Period).
- We had not completed our assessment of seven Embed Milestones (two of which were delivered at the end of the Reporting Period).

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	0	0	0	20	20
Management Governance	0	0	0	0	19	19
Operating Model (3LoA)	0	0	0	2	9	11
Risk Appetite, Taxonomy and Standards	0	0	0	2	18	20
Accountability and Controls Delivery	0	0	0	1	12	13
Customer Outcomes	0	0	0	0	16	16
Culture, Capability and Consequences	0	0	0	0	50	50
Program Execution	0	0	2	0	26	28
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>5</b>	<b>170</b>	<b>177</b>

<sup>4</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.

The Program has completed work on all Recommendation Closure Packs. By the Reporting Date:

- CBA had submitted to Promontory Closure Packs in relation to all 45 Recommendations (six 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 39 Recommendations as closed (25 of which were assessed during the Reporting Period).
- We had not completed our assessment of Closure Packs in relation to six Recommendations (one of which was delivered at the end of the Reporting Period).

### ***Risks and Challenges***

CBA will likely face a new set of risks and challenges as work increasingly focuses on the Transition Period. We will discuss these potential challenges in detail in our thirteenth and final Report. Before addressing those new challenges, however, it will be important for CBA to celebrate the achievements of the Program and take pause to recognise how the efforts of those working on the Program have changed CBA for the better. Not only should that help combat change fatigue as CBA moves further into the Transition Period, it should help reinforce the Bank's commitment to ensuring that the gains from the Program are sustained over time.

# 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**).

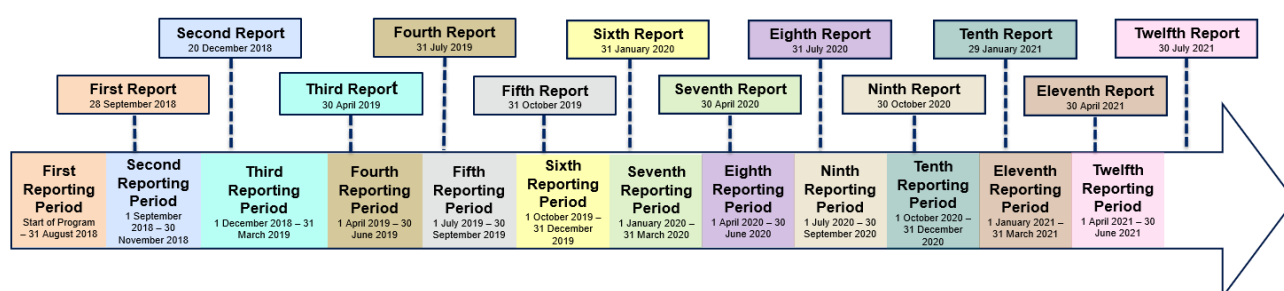
CBA engaged Promontory as the Independent Reviewer to monitor CBA’s execution of the RAP and to assess the effectiveness of the actions taken to address the Inquiry Recommendations as required under the EU. APRA confirmed the appointment on 29 June 2018.

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>5</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 Twelfth Report. It covers the period 1 April 2021 to 30 June 2021 (the **Reporting Period**). The status of Milestones and other Program developments are reported as at 30 June 2021 (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>6</sup>**



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

<sup>5</sup> Milestones are the actions CBA intends to take to address the Inquiry Recommendations.

<sup>6</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>7</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. 24 Milestones were added and one was removed during previous Reporting Periods. No Milestones were added or removed during this Reporting Period. There are now 177 Milestones.

The number of Milestones due for delivery to Promontory by the Reporting Date for each report is set out by Theme in Table 1.1 below. During the Reporting Period the final three Milestones were delivered to Promontory as planned.

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<sup>7</sup> No Milestones have been assigned to this work stream.

**Table 1.1: Number of Milestones Due 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	0	0	1	1	6	3	12
March 2021	0	0	2	1	1	1	0	0	5
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 Closures due for delivery to Promontory by the Reporting Date for relevant reports is set out by Theme in Table 1.2 below. During the Reporting Period the final six Recommendation Closure Packs were delivered to Promontory as planned.

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

Reporting Date	Number of Recommendation Closure Packs 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	
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	0	0	0	0	0	0	0
June 2021	0	0	1	2	1	1	0	1	6
<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 discuss the artefacts provided to us.

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

- Three meetings of the monthly RAP Governance Forum.
- One meeting of the monthly BU/SU Delivery Governance Forum, which was discontinued during the Reporting Period.
- One meeting of the monthly Planning and Dependencies Management Forum, which was discontinued during the Reporting Period.
- 10 meetings of the RAP weekly Cross-Stream Scrum.

We also participated in the following:

- A reflections session, with members of the Central RAP Team, Group Executives (**GEs**), BU/SU CCOs and Chief Risk Officers (**CROs**), Execution Leads and Executive General Managers (**EGMs**) from across the Group, to reflect on the content of our Eleventh Report. This was the tenth such session in which we have participated.
- One session with the Group CCO and one session with members of the Central RAP Team to discuss the Transition Period.
- Three meetings with the Group CCO to discuss the implementation of the RAP in the BU/SUs and the roles played by the BU/SU CCOs.
- Two meetings with Group Audit and Assurance (**GA&A**), in which their observations on Program management and their audits of Program outcomes were discussed.
- Briefings on the Drop Process and Program-related communications.

As noted in Previous 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.

We also participated in a tripartite meeting with CBA and APRA representatives during the Reporting Period.

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 overall Recommendation. The assessments continued to involve reviews of the Closure Packs and reviews of additional evidence, interviews and discussions with staff engaged in Milestone delivery and 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 four of the Milestones closed during the Reporting Period we assessed the Milestone as complete and effective, on the understanding that aspects of the assessment would be reviewed at the Embed or Recommendation Closure Phases.

Throughout the Program we have taken an average of around 14 weeks to assess a Milestone as closed after a Closure Pack has been delivered. The quickest assessments took just over one week (for Milestones 14.2 and 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.

**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, and our observations on how the Program is being managed (both centrally and at the BU/SU level).
- **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

All of the Milestones and Recommendations that make up the RAP have now been delivered to Promontory for assessment. In addition, all of the Milestones and Recommendations under the Board Governance, Management Governance, and Culture, Capability and Consequences Themes have been assessed as closed. Only seven Embed Milestones and six Recommendations are yet to be assessed as closed.

These are noteworthy achievements that CBA should celebrate, while keeping in mind that a significant amount of important work remains to be done during the Transition Period.

During the Reporting Period, the Board and ELT endorsed the Transition Period Plan, which sets out the scope of and approach to the work to be done during the Transition Period. The Transition Period Plan contains the six 'focus areas' that were either previously within the scope of the RAP or reinforce the outcomes of the Program. Importantly, during the Transition Period, BU/SUs will take on greater responsibility for determining the timing of certain elements of the Transition Period Plan.

The Program has determined which governance forums will operate during the Transition Period. Four key forums will be involved in delivering the Transition Period Plan: the Prudential Inquiry Governance Forum, the Prudential Inquiry Cross-Stream Scrum, the CCO Leadership Team and the CRO Forum. The first two of these forums will perform similar functions to the current RAP Governance Forum and Cross-Stream Scrum, while the last two will provide a mechanism for sharing best practice and driving consistency. The operations of these last two forums will be particularly important as responsibility for sustaining Program outcomes continues in the BU/SUs.

During the Reporting Period two of the Program's governance forums, the BU/SU Delivery Governance Forum and the Planning and Dependencies Management Forum were discontinued. We consider this appropriate given the stage of the Program.

The Group CCO continues to monitor whether the mechanisms designed to maintain the outcomes of the Program are operating effectively. During the Reporting Period the Group CCO finished assessing the sustainability of the outcomes achieved under several Recommendations. The findings of the Group CCO's assessment were reported to the ELT NFRC in the June Group CCO Report. There has been an appropriate level of focus on outcomes, in addition to reviews of key processes, in the Group CCO's sustainability assessments to date.

Future NFR work at the Bank will increasingly focus on the Transition Period, which is likely to involve a new set of challenges. We will address these potential challenges in our thirteenth, and final, Report.

The rest of this Chapter provides a high-level overview of CBA's progress in implementing the RAP during the Reporting Period. We then comment on key Program developments during the Reporting Period and the road ahead.

### 2.1. Program Progress

As at the Reporting Date all 177 Milestones that make up the RAP had been delivered to Promontory for assessment.

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During the Reporting Period the Program submitted Closure Packs for three Milestones:

- The Closure Pack for one Embed Milestone was submitted in April 2021.
- The Closure Packs for two Embed Milestone were submitted in June 2021.

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

During the Reporting Period Promontory assessed 11 Milestones (three Implement Milestones and eight Embed Milestones) as complete and effective. The Closure Packs for these Milestones were submitted in the Third, Eighth, Tenth and Eleventh Reporting Periods.

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

- five were Culture, Capability and Consequences Theme Milestones (Milestones 13.3, 22.3b, 23.3, 24c.3 and 26.4)<sup>8</sup>;
- two were Accountability and Controls Delivery Theme Milestones (Milestones 12e.2 and 12e.3d)<sup>9</sup>;
- two were Customer Outcomes Theme Milestones (Milestones 15.5 and 17.3)<sup>10</sup>;
- one was a Risk Appetite, Taxonomy and Standards Theme Milestone (Milestone 12b.3a)<sup>11</sup>; and
- one was a Program Execution Theme Milestone (Milestone 35.2b)<sup>12</sup>.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, 170 Milestones (57 Design Milestones, 69 Implement Milestones and 44 Embed Milestones) had been assessed as complete and effective.

As at the Reporting Date all Milestones under the Board Governance, Management Governance, Customer Outcomes, and Culture, Capability and Consequences Themes had been assessed as complete and effective.

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. In Previous Reports we foreshadowed our intention to focus on particular design features, approaches to implementation or sustainability mechanisms when assessing related Milestones or Recommendation Closures. The majority of cases identified in our Previous Reports were closed before the Reporting Date on the basis of additional evidence provided by CBA in the relevant later-stage Closure packs. Four additional cases were identified during the Reporting Period.

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<sup>8</sup> See discussion in section 9.2 below.

<sup>9</sup> See discussion in section 7.2 below.

<sup>10</sup> See discussion in section 8.2 below.

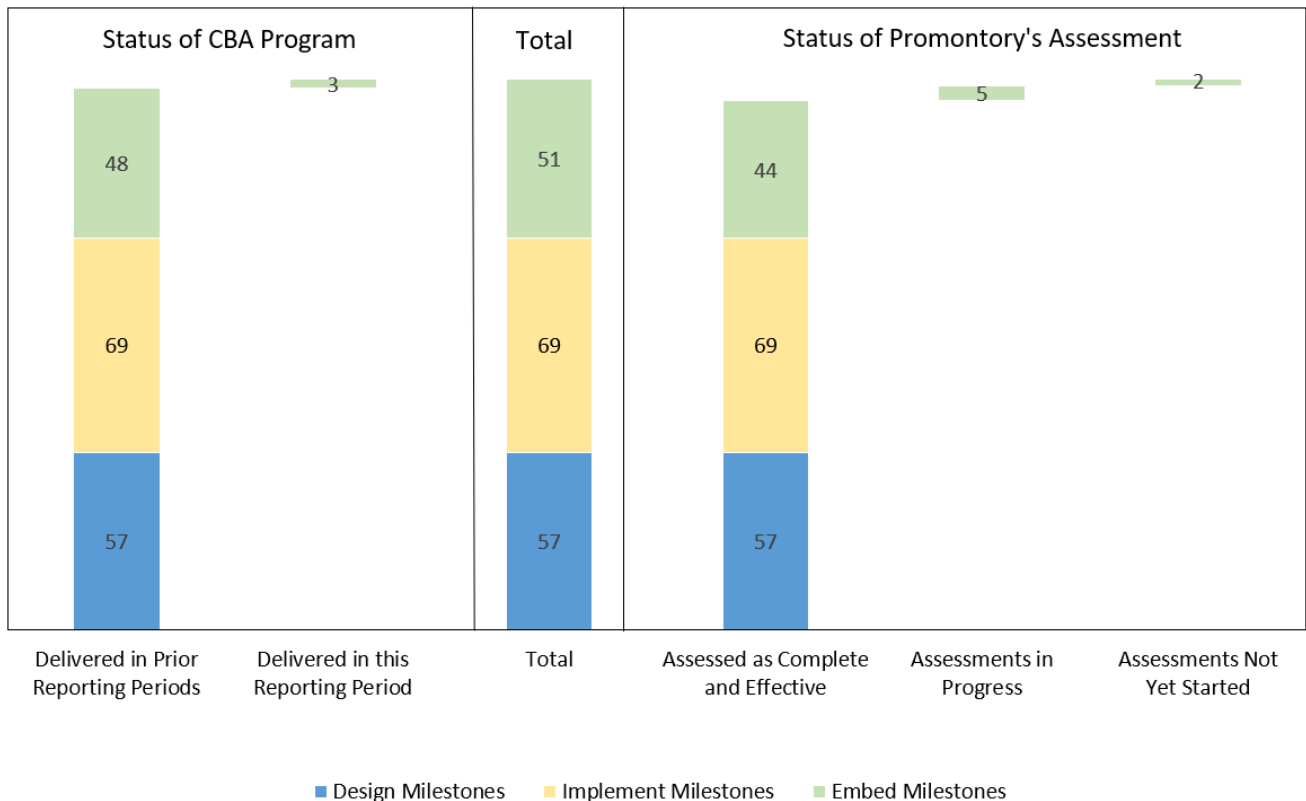
<sup>11</sup> See discussion in section 6.2 below.

<sup>12</sup> See discussion in section 10.2 below.

At the Reporting Date Promontory was assessing five Embed Milestones. We had not yet begun assessing two Embed Milestone delivered to us in June 2021.

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.

As at the Reporting Date all 45 Recommendations that make up the RAP had been delivered to Promontory for assessment.

During the Reporting Period the Program submitted Closure Packs for six Recommendations:

- The Closure Packs for five Recommendations were submitted in May 2021.
- The Closure Pack for one Recommendation was submitted in June 2021.

During the Reporting Period Promontory assessed 25 Recommendations as closed. The Closure Packs for these Recommendations were submitted in the Eighth, Ninth and Tenth Reporting Periods.

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

- 11 were Culture, Capability and Consequences Theme Recommendations (Recommendations 13, 22, 23, 24b, 24c, 25b, 26, 27, 28, 29 and 30)<sup>13</sup>;
- four were Program Execution Theme Recommendations (Recommendations 11, 20, 33b and 34)<sup>14</sup>;
- three were Board Governance Theme Recommendations (Recommendations 2, 3 and 5)<sup>15</sup>;
- three were Customer Outcomes Theme Recommendations (Recommendations 17, 18 and 21)<sup>16</sup>;
- two were Accountability and Controls Delivery Theme Recommendations (Recommendations 12f and 16)<sup>17</sup>;
- one was a Management Governance Theme Recommendation (Recommendation 6)<sup>18</sup>; and
- one was a Risk Appetite, Taxonomy and Standards Theme Recommendation (Recommendation 12a)<sup>19</sup>.

Taking into account Recommendations assessed as closed in Previous Reporting Periods, as at the Reporting Date, 39 Recommendations had been assessed as closed.

As at the Reporting Date all Recommendations under the Board Governance, Management Governance, and Culture, Capability and Consequences Themes had been assessed as closed.

At the Reporting Date Promontory was assessing five Recommendations. We had not yet begun assessing one Recommendation delivered to us in June 2021.

## **2.2. Key Program Developments**

During the Reporting Period:

- CBA delivered the final RAP Milestones and Recommendations.
- The Group CCO continued to monitor the sustainability of the outcomes achieved by the Program.
- The Board endorsed the sequencing and target timing of the work to be done during the Transition Period.

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<sup>13</sup> See discussion in section 9.3 below.

<sup>14</sup> See discussion in section 10.3 below.

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

<sup>16</sup> See discussion in section 8.3 below.

<sup>17</sup> See discussion in section 7.3 below.

<sup>18</sup> See discussion in section 4.2 below.

<sup>19</sup> See discussion in section 6.3 below.

In this section, we describe these key Program developments in more detail.

### **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 two updates in relation to the Program during the Reporting Period. These updates included information in relation to Program status, our Eleventh Report and the Transition Period. During the Reporting Period the Board endorsed the Transition Period Plan, which sets out the scope of and approach to the work to be done during the Transition Period. The Transition Period Plan is discussed further in section 2.2.6.

The ELT received three updates in relation to the Program during the Reporting Period. These updates included information in relation to the same topics presented to the Board during the Reporting Period. Executive Leaders also noted an aggregated view of the final Sustainability Plans at the June 2021 ELT meeting, providing an opportunity for GEs to reflect on their roles in sustaining Program outcomes and enabling continuous improvement.

We continued to observe a strong commitment among Executive Leaders to achieving the intended outcomes of the RAP. During the Reporting Period Executive Leaders worked to address challenges in relation to data quality, change fatigue and the Transition Period as outlined in our Previous Reports.

During the Reporting Period Executive Leaders also continued to issue communications across the Group that reinforced the importance of the Program. For example, at a May forum attended by senior leaders the Chief Executive Officer (**CEO**) reflected on the progress that has been made in responding to the Prudential Inquiry, while also highlighting the areas for improvement that still remain. During the Reporting Period GEs also shared their reflections within the organisation on what the Program has achieved and the road ahead.

Throughout the past three years, oversight of the Program by the Board and Executive Leadership has been instrumental in keeping the Program on-track and ensuring that, as at the end of the Reporting Period, work to deliver all Milestones and Recommendations had been completed. A similar level of oversight and, where necessary, intervention will continue to be necessary during the Transition Period.

### **2.2.2. Program Governance**

During the Reporting Period two of the Program's governance forums, the BU/SU Delivery Governance Forum and the Planning and Dependencies Management Forum, were discontinued. We consider this appropriate given the stage of the Program. Where required, the RAP Governance Forum assumed responsibility for discussing matters that were previously discussed at the BU/SU Delivery Governance Forum and the Planning and Dependencies Management Forum.

The remaining forums associated with the Program continued to operate effectively throughout the Reporting Period.

As in previous Reporting Periods we observed strong challenge on the status of each Program Theme during the RAP Governance Forum. The RAP Governance Forum also continued to include a 'spotlight' agenda item, which provided an opportunity for detailed consideration of certain aspects of the Program. During the Reporting Period the RAP Governance Forum discussed 'spotlight' agenda items in relation to sustainability monitoring, data quality and the 'remember when' communication campaign, which is discussed in further detail in section

2.2.4. Discussion at the RAP Governance Forum during the Reporting Period also focused on the work that remains to be done to prepare for the Transition Period.

We observed several meetings of the Cross-Stream Scrum during the Reporting Period. The Cross-Stream Scrum continued to operate largely as it has in previous Reporting Periods and remains an effective forum for raising potential challenges and facilitating engagement among the stakeholders responsible for delivery of the RAP.

CBA further considered how Program governance forums will operate during the Transition Period. The following four key governance forums will be involved in delivering the Transition Period Plan:

- The Prudential Inquiry Governance Forum, which will provide governance over delivery of the Transition Period Plan and the Group CCO's monitoring of sustainability practices.
- The Prudential Inquiry Cross-Stream Scrum, which will facilitate timely discussion and escalation of progress, risks and issues in delivering the Transition Period Plan.
- The CCO Leadership Team, which will enable CCOs to discuss implementation strategies and BU/SU insights.
- The CRO Forum, which will enable CROs to share learnings and better practice.

As we noted in our Eleventh Report, these governance forums must continue to provide a mechanism for sharing better practice, tracking progress, driving consistency and providing challenge. The CCO Leadership Team and CRO Forum will, in particular, play an increasingly significant role as staff from outside the Central RAP Team continue to sustain Program outcomes.

### **2.2.3. Program Delivery**

During the Reporting Period:

- the Group CCO finished assessing the sustainability of RAP outcomes in relation to several Recommendations; and
- planning on how the Drop mechanism will operate during the Transition Period was further refined.

#### Chief Controls Office

As discussed in Previous Reports the Group CCO is responsible for monitoring whether the mechanisms designed to maintain the outcomes of the Program are operating effectively. As part of this work the Group CCO is:

- confirming whether the changes made during the Program are being maintained;
- identifying opportunities to improve existing processes and sustainability practices; and
- suggesting new processes to help sustain Program outcomes.

In undertaking this work the Group CCO is taking a risk-based approach to monitoring, 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 of monitoring where there is less evidence.

During the Reporting Period the Group CCO finished assessing the sustainability of the outcomes achieved under certain Board Governance Theme Recommendations and Recommendation 20 (which relates to the Change Investment Process (**CIP**)).

In relation to the Board Governance Recommendations, the Group CCO undertook a lower level of sustainability monitoring, given the solid body of existing evidence suggesting that the Target States are being sustained in relation to these Recommendations.

In contrast, the Group CCO undertook a higher level of monitoring in assessing the sustainability of the Target State achieved under Recommendation 20. In particular, the Group CCO engaged with framework owners who are responsible for the CIP and BU/SU stakeholders who are users of the CIP to better understand which sustainability practices have worked well to date and which areas require improvement.

The June Group CCO Report to the ELT Non-Financial Risk Committee (**NFRC**) included the Group CCO's observations on the sustainability of the Program outcomes discussed above.

We regard it as a positive indicator of the growing maturity of CBA's approach to sustainability that, in assessing the sustainability of the outcomes achieved under the Board Governance Theme Recommendations and Recommendation 20, there has been an appropriate level of focus on outcomes, in addition to reviews of key processes.

### Drop Process

During the Reporting Period the Program was engaged in activities across several Drops, all of which focused on enterprise-wide Non-Financial Risk (**NFR**) changes beyond the RAP.

Since it was introduced three years ago the Drop mechanism has been continually improved in response to feedback provided by various stakeholders. Some of the key improvements made include introducing Immersion Sessions and Drop Showcases, establishing the Drop Implementation Guide, and standardising resource forecasting across BU/SUs.

The Drop Process continued to be enhanced during the Reporting Period, for example, in the way Drops engage with BU/SUs. During the Reporting Period videos were shared showing staff describing Drop-related changes and how they have been implemented in their BU/SUs. The Drop team also evolved how it checks in with the teams producing content for the Drops, with the aim of increasing efficiency by seeking updates both online and through existing forums.

Planning for how the Drop mechanism will operate during the Transition Period and beyond was also progressed during the Reporting Period. This will include developing a rolling forward view of NFR changes over the coming year, which will be updated on a quarterly basis as an input into the Drop mechanism. The forward view will then be reviewed and discussed by relevant stakeholders, and the sequencing of Drop activities determined. A key objective of this process will be to engage with BU/SUs on the forward view of NFR changes and to bring BU/SUs together to discuss sequencing, opportunities and challenges.



## 2.2.4. Program Management

During the Reporting Period:

- the Central RAP Team continued to monitor 'go-to-green' plans; and
- communications about the Program focused on the effect of the changes that have been made as a result of the RAP.

### Central RAP Team

The Program had an 'Amber' status throughout the Reporting Period. The 'Amber' status was primarily due to the status of Recommendations under the Operating Model (3LoA), and Risk Appetite, Taxonomy and Standards Themes.

Some of the actions required for the Program to return to 'Green' are ensuring the Group can sustainably embed:

- the Three Lines of Accountability (**3LoA**) operating model;
- Operational Risk and Compliance (**OR&C**) minimum standards across the Group; and
- Line 2 Assurance activities.

During the Reporting Period the Central RAP Team continued to monitor the progress of 'go-to-green' plans in relation to these challenges. The Central RAP Team also continued to perform quality assurance reviews over the final Closure Packs, which were delivered during the Reporting Period.

### Communications

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

As noted in section 2.2.1, Executive Leaders continued to issue communications across the Group that reinforced the importance of the Program. These communications successfully balanced an acknowledgment of the Program's achievements with an emphasis on the work that remains to be done.

During the Reporting Period CBA also launched the 'remember when' campaign, which highlighted the changes made as a result of the Program and the ways in which these changes have improved the management of non-financial risks. The campaign invited staff to reflect on the Prudential Inquiry and their impression of the progress that has been made since then. Topics covered included the 'should we' question, the voice of risk, culture and accountability. The campaign featured communications delivered by staff at all levels of the organisation, helping to ensure that the tone from the middle is aligned with the tone from the top.

Several other communications emphasising the outcomes of the RAP were also produced during the Reporting Period. For instance, two 'Risk Cuppa' videos highlighting Program-related outcomes, such as the importance of the voice of risk, were released.

Internal communications on the Transition Period were issued to senior leaders during the Reporting Period, while broader communications were also disseminated emphasising that work on the achievements of the Program must not end with the RAP.

As CBA moves into the Transition Period, communications will continue to focus on the importance of ensuring that the Group does not revert back to operating in the way that was described in the *Inquiry Report*.

### **2.2.5. Risk and Assurance Oversight**

As in previous Reporting Periods we met regularly with GA&A to exchange observations on Program progress and to discuss its approach to the Transition Period.

During the Reporting Period CBA continued to address the findings of the Line 2 Assurance audit that was finalised by GA&A in the prior Reporting Period. To address the issues raised by the audit the following changes were made to the Line 2 Assurance Standard and Procedure during the Reporting Period:

- a clear delineation must now be made between formal assurance activities, which are in-scope of the Standard, and other Line 2 reviews;
- Line 2 teams must now provide justification for the allocation of resources between formal assurance activities and other Line 2 reviews;
- BU/SU quality assurance mechanisms must now be standardised across BU/SUs; and
- Group Line 2 is now required to table the Line 2 Assurance Plan at the Board Risk and Compliance Committee (**BRCC**) for noting.

The updated Standard and Procedure received the necessary endorsements and approvals during the Reporting Period and will take effect from the Reporting Date.

### **2.2.6. Transition Period**

The Transition Period is the period beyond submission of the final Recommendation of the RAP, during which work in relation to the findings of the Prudential Inquiry will continue and, as noted in our Previous Reports, the transition to business as usual (**BAU**) will be made.

The ELT endorsed the Transition Period Plan in May. In June the Board also endorsed the sequencing and target timing of the work to be done in the Transition Period. The Transition Period is currently anticipated to last for 15 months from the Reporting Date.

The Transition Period Plan contains the following six 'focus areas', which are areas that were either previously within the scope of the RAP or reinforce the outcomes of the RAP:

- Minimum Standards for policy suites previously excluded from the scope of the RAP.
- Improving Risk and Controls Self-Assessments (**RCSAs**) for the remaining Level 1 risk types.
- Data Quality enhancements.
- Strengthening the 3LoA operating model.
- Risk Culture Interventions.
- Assessing the effectiveness of the remuneration cycle.

As noted in Previous Reports, to reinforce the transition from a centrally-managed Program to Business-as-usual (**BAU**) mechanisms, BU/SUs will have greater flexibility in sequencing their implementation of the Improving RCSA activities component of the Transition Period Plan.

CBA is aware that providing the BU/SUs with the flexibility to determine the sequencing of RCSA activities during the Transition Period has the potential to come at the cost of each BU/SU being able to learn from the contemporaneous experiences of other BU/SUs. CBA is addressing this by implementing support mechanisms that will allow those BU/SUs that have completed work on certain Drop items to share their learnings with other BU/SUs.

Board and Executive Leadership oversight of the Transition Period will remain consistent with the level of oversight provided over the Program. Regular updates on progress against the Transition Period Plan will be provided to the Board and ELT during the Transition Period. GEs will also have formal accountability for delivery of the Transition Period Plan, as has been the case during delivery of the RAP.

The Group CCO will monitor the sustainability of RAP outcomes during the Transition Period to confirm that Recommendation Target States continue to be achieved. Under the Group CCO's monitoring approach, any changes needed to support sustainability practices in the transition to BAU will be shared with framework owners and relevant governance forums to ensure appropriate action is taken.

We plan to provide further information about the nature of the Transition Period in our next Report.

### **2.3. The Road Ahead**

The Program completed a significant step during the Reporting Period in delivering the final Milestones and Recommendations in the RAP for assessment. This is a noteworthy achievement and should be celebrated.

While there is still some work to do to close the remaining Milestones and Recommendations, we expect our assessments will be completed in due course and future work will increasingly focus on the Transition Period.

Delivering the Transition Period Plan is likely to introduce new challenges. We will address these potential challenges in our thirteenth, and final, Report. Before addressing those new challenges, however, it will be important for CBA to celebrate the achievements of the Program and take pause to recognise how the efforts of those working on the Program have changed CBA for the better. Not only should that help combat change fatigue as CBA moves further into the Transition Period, it should help reinforce the Bank's commitment to ensuring that the gains from the Program are sustained over time.

## 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 non-financial risks at CBA had not been to the standard expected of a systemically important bank.

Significant shortcomings in governance of non-financial risks 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

Progress on the Board Governance Theme Milestones is set out in Table 3.1 and is discussed in more detail below. As at the Reporting Date all 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	●

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#	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 non-financial risks	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

Progress on closing the Board Governance Theme Recommendations is set out in Table 3.2 and is discussed in more detail below.

During the Reporting Period Promontory assessed three Board Governance Theme Recommendations (Recommendations 2, 3 and 5) as closed. The Closure Packs for these Recommendations were submitted in the Ninth and Tenth Reporting Periods.

As at the Reporting Date all five Board Governance Theme 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 Recommendation Assessment Outcomes

### 3.2.1. Assessment of Recommendation 2

The Target State for Recommendation 2 is that the Board and its Audit and Risk Committees are operating at a level consistent with global better practice.

The Charters for the Board, BRCC and BAC specify that the performance of the Board and Board Committees is reviewed annually, with a triennial external performance review. In addition to performance reviews, the Charters are reviewed annually for adequacy, with any amendments recommended to the Board for approval. Performance and Charter reviews are scheduled in the Board, BRCC and BAC Forward Planners. The most recent review, conducted by an external consultant, concluded that the Board and the Committees were operating at a level consistent with global better practice.

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

- provides frameworks and processes for conducting the reviews and refining the Charters;
- assigns clear accountabilities to executives accountable under the Banking Executive Accountability Regime (**BEAR**) for the performance of their respective Committees in accordance with the relevant Charter;
- provides a definition of 'global better practice' consistent with the RAP; and
- articulates that future performance assessments will reflect on recommendations from previous reviews and global better practice benchmarking.

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.

### **3.2.2. Assessment of Recommendation 3**

The Target State for Recommendation 3 is to have clear accountabilities, and effective and timely information flows between Board Committees to support issue oversight and resolution of risk issues

The Charters for the BAC, BRCC and PRC specify the accountabilities for each Committee, provide guidance on the types of information which should be referred to or shared with other committees, and designate cross-committee membership to facilitate information flow between each Committee. Forward Planners provide scheduling of biannual concurrent meetings between the Committees, while appropriate governance of referred matters is facilitated through the Referrals Register and the Matters Arising mechanism.

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

- provides frameworks and processes to facilitate effective information flows between the Committees;
- assigns clear accountabilities to BEAR-accountable executives for the performance of their respective Committees in accordance with the relevant Charter; and
- evaluates the quality of co-ordination between the Committees through an external review, with scope to include assessment of the quality of referrals, accountability for closure, and the timeliness for closure.



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.

### **3.2.3. Assessment of Recommendation 5**

The Target State for Recommendation 5 is that the Board is able to examine and identify the issues arising across the categories of non-financial risk, including new and emerging risks. In addition, the Board will receive granular information with respect to the Group's position against its risk appetite in order to drive discussion and actions to manage non-financial risks.

Reporting on non-financial risk matters has improved materially. Papers received by the Committees provide improved insight and inform robust discussions. Data quality has also improved with a shift of emphasis from collating data, to interpreting and using data to manage risks. Dashboards and regular reports have been established which provide insight across all categories of non-financial risk, including new and emerging risks, emerging regulatory risks, complaints analysis, controls gaps and incidents, and granular risk appetite metrics.

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

- provides frameworks and processes for reporting non-financial risk across committees; and
- assigns clear accountabilities to Committee Chairs for the performance of their respective Committees in accordance with the relevant Charter.

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 non-financial risks (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 non-financial risk, making it a top priority for the ELT. It includes establishing a new committee at the Executive level to oversee non-financial risks 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. 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	●

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#	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

Progress on closing the Management Governance Theme Recommendations is set out in Table 4.2 and is discussed in more detail below.

During the Reporting Period Promontory assessed one Management Governance Theme Recommendation (Recommendation 6) as closed. The Closure Pack for this Recommendation was submitted in November 2020.

As at the Reporting Date all five Management Governance Theme 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 non-financial risk, 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 Recommendation Assessment Outcomes

### 4.2.1. Assessment of Recommendation 6

The Target State for Recommendation 6 is that each member of the ELT is held accountable and assessed against a set of Shared Priorities approved by the CEO and the Board and embedded in the Group’s Performance Management Framework.

CBA’s approach to collective accountability has been evolving since 2017 with a number of mechanisms to apply collective accountability, including the development of the Group Strategy Scorecard and measures to assess progress against the delivery of the Shared Priorities. CBA has assessed GEs against these measures.

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

- requires an annual Board review of the Group Remuneration Policy, the Group Performance Framework and the Group Strategy Scorecard;
- requires an annual assessment of each member of the ELT’s performance;
- details accountabilities for these processes; and
- requires Board reporting on the annual risk and remuneration outcomes for the CEO and each GE.

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 non-financial risks, 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 these reporting lines did not impede the independence of the BU CROs.

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 for 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

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

At the Reporting Date Promontory was assessing two Operating Model (3LoA) Theme Milestones (Milestones 9.5 and 9.5a), the Closure Packs for which were submitted in the Eleventh Reporting Period.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of nine 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 with the 3LoA Principles	Mar-19	●
		9.3 Design	Endorse plan to align with 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	Feb-21	◐
		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	Feb-21	◐
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

Progress on closing the Operating Model (3LoA) Theme Recommendations is set out in Table 5.2 and is discussed in more detail below.



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During the Reporting Period the Program submitted the Closure Pack for one Operating Model (3LoA) Theme Recommendation (Recommendation 9) to Promontory. The Closure Pack was submitted before the relevant Due Date set out in the RAP.

At the Reporting Date Promontory was assessing one Operating Model (3LoA) Theme Recommendation (Recommendation 9), the Closure Pack for which was submitted in the May 2021.

Taking into account Recommendations assessed as closed in previous Reporting Periods, as at the Reporting Date, one of the two Operating Model (3LoA) Theme Recommendations had been assessed as closed.

**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.	May-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 non-financial risks in the Group RAS, create and embed minimum standards for management of non-financial risks in policies across the Group, heighten Executive-level focus on emerging non-financial risks, 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 non-financial risks 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

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 Pack for one Risk Appetite, Taxonomy and Standards Theme Milestone (Milestone 12d.3). The Closure Pack was submitted before the relevant Due Date set out in the RAP.
- Promontory assessed one Risk Appetite, Taxonomy and Standards Theme Milestone (Milestone 12b.3a) as complete and effective. The Closure Pack for this Milestone was submitted in the Eighth Reporting Period.

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At the Reporting Date Promontory was assessing two Risk Appetite, Taxonomy and Standards Theme Milestones (Milestones 12b.3b and 12d.3), the Closure Packs for which were submitted in the Eleventh and Twelfth Reporting Periods.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 18 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	●

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#	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 non-financial risks	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	●
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	◐

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

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

During the Reporting Period:

- The Program submitted the Closure Packs for two Risk Appetite, Taxonomy and Standards Theme Recommendations (Recommendations 12b and 12d) to Promontory. The Closure Packs were submitted before the relevant Due Dates set out in the RAP.
- Promontory assessed one Risk Appetite, Taxonomy and Standards Theme Recommendation (Recommendation 12a) as closed. The Closure Pack for this Recommendation was submitted in December 2020.

At the Reporting Date Promontory was assessing two Risk Appetite, Taxonomy and Standards Theme Recommendations (Recommendations 12b and 12d), the Closure Packs for which were submitted in May 2021.

As at the Reporting Date, two of the four Risk Appetite, Taxonomy and Standards Theme Recommendations had been assessed as closed.

**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	●
12b	NFR minimum standards	Clear, simple and enforceable OR&C minimum standards uplift NFR management and are continually refreshed	May-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	◐

## 6.2. Risk Appetite, Taxonomy and Standards Theme Milestone Assessment Outcomes

### 6.2.1. Assessment of Recommendation 12b Milestone

The Target State for Recommendation 12b is that clear, simple and enforceable OR&C minimum standards help uplift NFR management across the Group. The standards are defined in accordance with the standardised OR&C risk types and are embedded and continually refreshed through existing policy governance processes.

#### a) Milestone 12b.3a

Milestone 12b.3a (an Embed Milestone) requires CBA to embed minimum standards in the policies for the Wave One risk types, and roll out associated guidance and training materials. This Milestone also requires adherence to minimum standards to be included in ongoing Line 2 Assurance Program activity.

CBA confirmed and provided evidence that:

- the policies covered under the Wave One risk types were delivered via the Drop mechanism;
- Group Mandatory Learning in relation to the Wave One Policies was rolled out; and
- Post-Implementation Reviews, or equivalent, had been conducted.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 12b.2a in relation to the actions taken to address inconsistencies in the articulation of certain minimum criteria.

After reviewing Closure Packs for this Milestone, Promontory requested and received further information on certain matters, including:

- Line 2 Assurance Reviews over the Wave One Policies;
- the completion of training in relation to the updated Wave One Policies; and
- the actions that have been taken to address gaps in the implementation of some Wave One policies.

Based on our assessment of the Milestone Closure Pack and the additional information we received, we concluded that the minimum standards have been embedded in the Wave One Policies, training has been provided and BU/SU CROs have attested to the adoption of the Wave One Policies.

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; and
- the Target State has been achieved.

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:

- the implementation of a control to ensure Initial Implementation Assessments occur within the required timeframes; and
- BU/SU progress in adopting the Data Management policy suite.

## **6.3. Risk Appetite, Taxonomy and Standards Theme Recommendation Assessment Outcomes**

### **6.3.1. Assessment of Recommendation 12a**

The Target State for Recommendation 12a is that 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.

The Group RAS has been modified to include granular metrics for prioritised OR&C risk types. CBA has commenced reporting to the Board and ELT NFRC on the Group RAS OR&C metrics. All BUs have included the Group RAS metrics in addition to locally relevant metrics in their RASs.

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

- provides frameworks and processes that support the RAS, including the RAS Process and the associated templates;
- assigns accountability for the design and implementation of the RAS to the CRO and requires the RAS to be approved by the Board; and
- requires the RAS to be internally reviewed annually and externally reviewed at least once every three years.

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.

## 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

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 Promontory assessed two Accountability and Controls Delivery Theme Milestones (Milestones 12e.2 and 12e.3d) as complete and effective. The Closure Packs for these Milestones were submitted in the Third and Tenth Reporting Periods.

At the Reporting Date Promontory was assessing one Accountability and Controls Delivery Theme Milestone (Milestone 12e.4b), the Closure Pack for which was submitted in the Eleventh Reporting Period.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 12 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	●

#	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

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

During the Reporting Period:

- The Program submitted the Closure Pack for one Accountability and Controls Delivery Theme Recommendation (Recommendation 12e) to Promontory. The Closure Pack was submitted before the relevant Due Date set out in the RAP.
- Promontory assessed two Accountability and Controls Delivery Theme Recommendations (Recommendations 12f and 16) as closed. The Closure Packs for these Recommendations were submitted in December 2020.

At the Reporting Date Promontory was assessing one Accountability and Controls Delivery Theme Recommendation (Recommendation 12e), the Closure Pack for which was submitted in May 2021.

As at the Reporting Date, two of the three Accountability and Controls Delivery Theme Recommendations had been assessed as closed.

**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	●
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	●

## 7.2. Accountability and Controls Delivery Theme Milestone Assessment Outcomes

### 7.2.1. Assessment of Recommendation 12e Milestone

The Target State for Recommendation 12e is that:

- the end-to-end risk and control environment is consistently reviewed and assessed in detail, and challenged by Line 2;
- gaps in the operating and control environment are captured as issues and addressed to maintain risks in line with risk appetite; and
- baselining, together with OR&C Frameworks, enhanced RASs and policies, including minimum standards, will provide a detailed and effective assessment of the risk obligations and control environment and help to identify emerging gaps and drive proactive investment to maintain the risk profile in line with appetite.

#### a) Milestone 12e.2

Milestone 12e.2 (an Implement Milestone) requires each BU/SU to establish a consistent initial baseline understanding of its material risks and controls to enable prioritised investigation of areas of concern, using the approach endorsed in Milestone 12e.1. The baseline is to include refreshed risk profiles using existing control effectiveness assessments.

We had previously assessed the Milestone as closed but not yet complete and effective on the understanding that we would assess whether the Milestone was complete and effective on the delivery of further Recommendation 12e Milestones.

Based on our review of the Closure Packs provided for other Recommendation 12e Milestones we concluded that CBA has adequately addressed the outstanding elements of Milestone 12e.2, including in relation to:

- risk profiles and assessments;
- control assessments;
- RiskInSite (RiS) data quality; and
- the scope, approach and sustainability of the methodology proposed to uplift the risk and control environment for the remaining non-prioritised risk types.

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

#### b) Milestone 12e.3d

Milestone 12e.3d (an Implement Milestone) requires that:

- BU/SU risk profiles are updated via the Improving RCSA for Privacy in line with the Drop Process;

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- Risk Management Action Plans (**RMAPs**) are developed to evidence actions taken to bring risk in line with risk appetite;
- outcomes from the Improving RCSA for Privacy are reported to BU/SU NFRCs as required; and
- RCSA and Control Assessment Program (**CAP**) Standards and Procedures, and Obligations Management Procedures are rolled out to BU/SUs.

CBA confirmed and provided evidence that:

- BU/SU risk profiles in RiS were updated following Improving RCSA for Privacy;
- material gaps and weaknesses were recorded within RMAPs;
- the outcomes of the Improving RCSA for Privacy were presented to the relevant BU/SU CCO, CRO and GE and/or the relevant BU/SU NFRC;
- the RCSA and CAP Standards were approved by the ELT NFR Policy Subcommittee with the Standards and Procedures rolled out to BU/SUs; and
- BU/SU Obligations Management Procedures have been drafted and approved, and rolled out to BU/SUs.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestones 12e.2, 12e.3a, 12e.3b and 12e.3c in relation to:

- the risk taxonomy mapping for Privacy;
- a consistency review being performed on obligations, controls and issues for the Improving RCSA for Privacy;
- the ongoing work to address the quality of data within RiS;
- plans developed to support the transition to the Obligations Management Standard;
- governance processes to manage the obligations register; and
- the finalised obligation summaries.

Promontory also undertook detailed testing for this Milestone. This testing was to assess and understand improvements in the data quality of risk profiles within RiS.

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

- issues raised in RiS for gaps/weaknesses identified as part of the Improving RCSA for Privacy;
- whether any exemptions were in place for the CAP and RCSA Standards; and
- data quality of risk profiles within RiS.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the detailed testing we performed we concluded that CBA has updated BU/SU risk profiles following the Improving RCSA for Privacy, governance for the BU/SU risk profiles is in place, the CAP and RCSA Standards have been rolled out to BU/SUs, and that BU/SU Obligations Management Procedures have been developed and rolled out to BU/SUs.

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 assessments of the Embed Milestone for this Recommendation would consider the efforts made to uplift the consistency and quality of RMAPs.

### **7.3. Accountability and Controls Delivery Theme Recommendation Assessment Outcomes**

#### **7.3.1. Assessment of Recommendation 12f**

The Target State for Recommendation 12f is that BU/SUs consistently meet a revised Issue Management Standard that ensures:

- root cause analysis is conducted where appropriate;
- appropriate actions are developed and taken in a timely manner;
- adequate actions are taken by Line 1 to ensure issues have been addressed at the time of closure;
- steps are in place to monitor the risk of recurrence; and
- Line 2 and Line 3 assurance roles are specified.

The Issues Management Standard makes Line 1 accountable for ensuring the actions taken in closing an issue are effective and for monitoring for the risk of reoccurrence. The roles and accountabilities of Lines 2 and 3 in relation to issues are also set out in the Issues Management Standard. The Root Cause Analysis Procedure defines the circumstances in which root cause analysis should be conducted, and articulates the responsibilities of Issue Owners.

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

- provides frameworks and processes for issue management as set out in the Issues Management Standard and Root Cause Analysis Procedure; and
- assigns accountability for issue management to the Group CRO.

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.

### **7.3.2. Assessment of Recommendation 16**

The Target State for Recommendation 16 is that:

- the ELT and Board have timely and effective oversight of issues raised by internal audit, regulators, staff and other sources;
- BU/SUs have processes to identify, act on and ensure resolution of issues in a timely and effective manner; and
- appropriate assurance (including appropriate Line 2 and Line 3 assurance) is in place to ensure effective resolution and closure.

Reporting on issues is provided to the BRCC, ELT NFRC and the BU/SU NFRCs. Reporting covers elements such as due date extensions or slippages, rating changes, acceptance or re-opening of High-Rated Issues, and trends in the root cause categorisation of High-Rated Issues. Reporting on the adequacy of issue resolution and actions to be taken where inadequate progress has been made is provided to the ELT NFRC twice a year.

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

- provides frameworks and processes for reporting on issues; and
- assigns accountability for issue reporting to the Group CRO.

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.

## 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

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 Promontory assessed two Customer Outcomes Theme Milestones (Milestones 15.5 and 17.3) as complete and effective. The Closure Packs for these Milestones were submitted in the Tenth and Eleventh Reporting Periods.

As at the Reporting Date all 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	Mar-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	●



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#	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 NFRC, 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

Progress on closing the Customer Outcomes Theme Recommendations is set out in Table 8.2 and is discussed in more detail below.

During the Reporting Period:

- The Program submitted the Closure Pack for one Customer Outcomes Theme Recommendation (Recommendation 15) to Promontory. The Closure Pack was submitted before the relevant Due Date set out in the RAP.
- Promontory assessed three Customer Outcomes Theme Recommendations (Recommendations 17, 18 and 21) as closed. The Closure Packs for these Recommendations were submitted in June, September and December 2020.

At the Reporting Date Promontory was assessing one Customer Outcomes Theme Recommendation (Recommendation 15), the Closure Pack for which was submitted in May 2021.

As at the Reporting Date, three of the four Customer Outcomes Theme Recommendations had been assessed as closed.

**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	

## 8.2. Customer Outcomes Theme Milestone Assessment Outcomes

### 8.2.1. Assessment of Recommendation 15 Milestone

The Target State for Recommendation 15 is that:

- consideration of conduct is fully embedded across CBA, including in key decision-making processes, risk profile reviews and employee lifecycle management;
- the Group’s Risk Management Approach sets out clear principles on conduct, and is supported by a well-communicated and well-understood Code of Conduct;
- the Group RAS provides clear metrics and qualitative statements that define CBA’s appetite with respect to conduct risk; and
- the Conduct Risk Strategy is embedded across the Group, including in key decision-making processes and employee lifecycle management.

#### a) Milestone 15.5

Milestone 15.5 (an Embed Milestone) requires that:

- the Controls Library includes controls for the remaining prioritised Conduct Risk types;
- the Conduct Risk Strategy is embedded across the Group;
- BU/SU risk profiles have been updated via Improving RCSA for the remaining prioritised Conduct Risk types; and

- a plan to allow BU/SUs to manage improvement for non-prioritised Conduct Risk Types.

CBA confirmed and provided evidence that:

- the Controls Library includes controls for the remaining prioritised Conduct Risk Types;
- the Conduct Risk Strategy has been embedded in key decision-making processes and employee lifecycle management; and
- Risk Steward Guides were developed for the remaining prioritised Conduct Risk type, Business Profiles were updated and the outcomes of the Conduct Improving RCSA were presented to the GE or BU/SU NFRC.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 15.4 in relation to Targeted Conduct Reviews.

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.

Based on our assessment of the Milestone Closure Pack, we concluded that the Controls Library has been appropriately updated, the Conduct Risk Strategy has been embedded and Improving RCSA activities have been completed for remaining prioritised Conduct Risk types.

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:

- Conduct Risk Deep Dive reporting for FY21; and
- whether Conduct Risk has been included in the Line 2 assurance plan.

### **8.2.2. Assessment of Recommendation 17 Milestone**

The Target State for Recommendation 17 is that, consistent with better practice, the ELT and Board elevate the focus on customer complaints, through regular reporting on complaints presented by accountable executives and a strong focus on effective and timely resolution of prioritised customer issues.

## **a) Milestone 17.3**

Milestone 17.3 (an Embed Milestone) requires regular complaints reporting to be presented by accountable executives to the Board and a review of the suitability of customer complaints reporting to be conducted.

CBA confirmed and provided evidence that:

- complaints reporting is presented to the ELT NFRC and the Board by the EGM Customer & Community Advocacy six times a year; and
- Customer & Community Advocacy performed a review of complaints reporting in February 2020.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 17.2 in relation to the quality and suitability of complaints reporting.

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 Closure Packs for this Milestone, Promontory requested and received further information on certain matters, including:

- how CBA determined the appropriate frequency for complaints reporting;
- the process followed by CBA to synthesise complaints reporting; and
- the output produced as part of the complaints reporting review.

Based on our assessment of the Milestone Closure Pack and the additional information we received, we concluded that appropriate complaints reporting is being presented to the relevant forums and the suitability of complaints reporting has been reviewed.

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 status of the Product Development and Distribution Policy.

## 8.3. Customer Outcomes Theme Recommendation Assessment Outcomes

### 8.3.1. Assessment of Recommendation 17

The Target State for Recommendation 17 is that, consistent with better practice, the ELT and Board elevate the focus on customer complaints, through regular reporting on complaints presented by accountable executives and a strong focus on effective and timely resolution of prioritised customer issues.

Complaints reporting is being presented by accountable executives to the Board and the ELT NFRC, BU/SU NFRCs and Product Governance Forums. This reporting consists of a series of complaints metrics, which are used to monitor whether the customer complaints are being resolved in a timely and effective way, and a complaints paper providing commentary on complaint trends.

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

- includes frameworks and processes for reporting on customer complaints, including a requirement for certain forums to monitor and review customer complaints;
- notes that the Deputy CEO is accountable for developing and reviewing the effectiveness of complaints reporting to the Board and ELT NFRC;
- requires an annual review of complaints reporting to be conducted.

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.

### 8.3.2. Assessment of Recommendation 18

The Target State for Recommendation 18 is to deliver against existing improvements in the identification of systemic customer issues, and to develop and implement system improvements that increase the use of data and analytics in driving insights on systemic issues.

CBA has developed data-driven models to identify systemic issues, improved data quality within the complaints management system and updated the systemic issues closure process.

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

- requires an annual review of the Systemic Issues Operating Guidelines and the Conduct Policy Suite;
- requires Board ELT NFRC and BU/SU NFRC reporting on systemic issues; and
- details accountabilities for these processes.

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.

### **8.3.3. Assessment of Recommendation 21**

The Target State for Recommendation 21 is that better customer outcomes are achieved through the Board and ELT elevating the 'voice of the customer' and actively championing the 'should we' question in discussions with management, and that the 'should we' question is embedded in policies and practices and as part of organisational culture across the Group.

CBA has incorporated references to the Code of Conduct and the 'should we' question into its frameworks and practices, including the CIP, the employee lifecycle and the Code of Conduct. CBA has also required governance forums to focus on customer outcomes with Charters amended to include the 'should we' question.

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

- requires an annual review of governance forums Charters, the Code of Conduct and the CIP;
- requires testing of whether the 'should we' question is being asked in governance forums;
- requires an annual risk culture assessment to be conducted; and
- details accountabilities for these processes.

Promontory therefore considers that:

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

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- 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.

## 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 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

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



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During the Reporting Period Promontory assessed five Culture, Capability and Consequences Theme Milestones (Milestones 13.3, 22.3b, 23.3, 24c.3 and 26.4) as complete and effective. The Closure Packs for these Milestones were submitted in the Tenth Reporting Period.

As at the Reporting Date all 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	●
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	●

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#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
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	●
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	●

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#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
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	●
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	●

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#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
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	●
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	●

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
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	●
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

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

During the Reporting Period Promontory assessed 11 Culture, Capability and Consequences Theme Recommendations (Recommendations 13, 22, 23, 24b, 24c, 25b, 26, 27, 28, 29 and 30) as closed. The Closure Packs for these Recommendations were submitted in September, November and December 2020.

As at the Reporting Date all 14 Culture, Capability and Consequences Theme 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	●

#	Recommendation Description	Target State Description	Due Date	Progress
26	Remuneration framework review	All key remuneration frameworks and practices are reviewed and, where appropriate, aligned with better global practice	Dec-20	●
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 13 Milestone

The Target State for Recommendation 13 is for CBA to have an adequate number of OR&C risk professionals, as defined by the target 3LoA operating model, with the right skill sets to support effective NFR management.

#### a) Milestone 13.3

Milestone 13.3 (an Embed Milestone) requires an assessment of OR&C capabilities to be conducted via the annual Capability Assessment, and for refreshed capability plans to be presented to the ELT.

CBA confirmed and provided evidence that:

- the FY21 OR&C Capability Assessment was conducted in August 2020;
- key outcomes and insights from the Capability Assessment were reported to the ELT;
- the OR&C recruitment and retention strategies were reviewed and refreshed; and
- each BU/SU had developed a Capability Action Plan setting out actions to improve the capabilities that are specific to their business priorities.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 13.2 in relation to:

- the extent of ELT consideration of the FY21 Capability Assessment and actions taken as a result of the Assessment; and
- the extent to which learnings from the FY20 OR&C Capability and Assessment have been incorporated into the FY21 Capability Assessment.

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 certain matters, including:

- conducting the FY21 Capability Assessment;
- the development and monitoring of the BU/SU Capability Action Plans;
- changes to the OR&C Training Plan; and
- how the Sustainability Plan will ensure the Target State is met throughout the annual lifecycle.

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 conducted the annual Capability Assessment and used the results to refresh plans for training, retention and recruitment.

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.

### **9.2.2. 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 22.3b**

Milestone 22.3b (an Embed Milestone) requires failings of accountability to be reflected in key individuals' performance reviews and remuneration outcomes for FY20. Accountability frameworks are to be revised with evidence of reporting on non-compliance.

CBA confirmed and provided evidence that:

- it revised the accountability frameworks underpinning its approach to accountability;
- non-compliance with accountability frameworks was reported and managed in line with the relevant framework;
- FY20 performance and remuneration outcomes were reported to the PRC, with examples of remuneration consequences applied for poor risk and compliance outcomes; and
- a number of mechanisms have been implemented to apply remuneration adjustments to reflect collective accountability.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestones 22.2 and 22.3a in relation to:

- the maturity of the approach to assessing collective accountability;
- the effectiveness of mechanisms to ensure an appropriate correlation between collective accountabilities and remuneration outcomes; and
- whether the transition from 'Statements of Accountabilities' to 'Statements of Responsibilities' for Designated Reports has been consistently completed.

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.

Due to the confidential nature of the material, Promontory reviewed a number of documents at CBA's offices or remotely over MS Teams.

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

- the application of collective accountability;
- communication and training on CBA's approach to accountability;
- the review of the Accountability Principles and the effectiveness of CBA's accountability approach; and
- recording and management of breaches of accountability frameworks.

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 revised accountability frameworks, that there was evidence of reporting on non-compliance, and that failings of accountability were reflected in performance reviews and the remuneration outcomes for FY20.

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.

### **9.2.3. Assessment of Recommendation 23 Milestone**

The Target State for Recommendation 23 is for the PRC to have the visibility, knowledge and expertise to challenge the Group and Executive remuneration process and its outcomes and to ensure it makes appropriate remuneration adjustments in discharging its responsibilities (including assessing each GE's performance and effectiveness in managing risk). GEs are also to ensure the appropriate correlation between remuneration and accountabilities, applying team-wide consequences in case of collective failing.

#### **a) Milestone 23.3**

Milestone 23.3 (an Embed Milestone) requires the PRC to exercise stronger governance on CEO and GE remuneration outcomes, and overall policy effectiveness to ensure that appropriate remuneration adjustments are made in light of positive or poor risk ratings.

CBA confirmed and provided evidence that:

- the Group CRO provided the PRC with a formal documented risk assessment of the GE's and the CEO's risk behaviours and outcomes for FY20;
- FY20 Board Guidance, endorsed in April 2020 by the PRC, sets out clear expectations and criteria on how remuneration should be adjusted for positive or poor risk outcomes and behaviours; and
- annual reporting is provided to the PRC on risk and remuneration outcomes.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 23.2 in relation to:

- the maturity of the approach to assessing collective accountability; and
- the effectiveness of mechanisms to ensure the appropriate correlation between collective accountabilities and remuneration outcomes.

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.

Due to the confidential nature of the material, Promontory reviewed a number of documents at CBA's offices or remotely over MS Teams.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that the PRC receives comprehensive information to support it in exercising stronger governance on CEO and GE remuneration outcomes, and that appropriate remuneration adjustments are made in light of positive or poor risk ratings.

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 24c Milestone**

The Target State for Recommendation 24c is for the PRC's approach to remuneration to take account of the full range of current and potential risks through coordination and support from the BAC and BRCC.

##### **a) Milestone 24c.3**

Milestone 24c.3 (an Embed Milestone) requires coordination between the BRCC, BAC and PRC by joint meetings to ensure risk outcomes are appropriately reflected in the CEO's and each GE's remuneration outcomes. The annual remuneration review is to be completed, including determination of the STVR Pool and allocations in line with the new model, and reporting on outcomes provided back to the Board.

CBA confirmed and provided evidence that:

- the Board Concurrent Committee met in February and June 2020 to discuss, provide input into and challenge the risk assessment and remuneration outcomes for the CEO and each GE;
- the Group CRO and Group Auditor provided papers and presented to the Concurrent Committee on risk and audit issues that could affect executive remuneration;
- the Concurrent Committee considered and approved the indicative FY20 STVR Pool; and
- final risk and remuneration outcomes were reported to the PRC and BRCC in October 2020.

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CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 24c.1 in relation to:

- the risk, audit and financial matters considered in the determination of the discretionary STVR Pool for FY20; and
- whether processes set out in the 'Concurrent Committee Meeting Process' for seeking input from the BRCC and BAC on risk and remuneration outcomes were followed for FY20.

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.

Due to the confidential nature of the material, Promontory reviewed a number of documents at CBA's offices or remotely over MS Teams.

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

- any changes to the operation of the Concurrent Committee for FY20;
- the nature and extent of discussion and challenge from Concurrent Committee members;
- the nature and extent of verbal input from the Group CRO and Group Auditor; and
- any improvements made to the STVR Pool model.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that there was effective coordination between the BAC, BRC and PRC by way of the Concurrent Committee in the determination of executive risk and remuneration outcomes for FY20. The Concurrent Committee also determined the STVR Pool in line with the new model, and outcomes were reported back to the Board.

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.

## **9.2.5. 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 26.4**

Milestone 26.4 (an Embed Milestone) requires the PRC to exercise stronger governance of the FY20 remuneration outcomes, and for papers demonstrating remuneration outcomes to be provided to the PRC.

CBA confirmed and provided evidence that:

- the annual remuneration outcomes paper, which included detail on positive risk assessments and upside adjustment for FY20, was discussed by the PRC at its meeting on 9 October 2020; and
- the application of malus to STVR and Long-Term Variable Remuneration has been reported to the PRC for approval through the quarterly remuneration governance and compliance papers.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 26.3 in relation to:

- the introduction of a clawback policy; and
- the application of collective accountability.

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 certain matters, including the Risk Accountability and Remuneration Review process.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews and walkthrough we conducted, we concluded that the PRC received relevant information and exercised strong governance over the FY20 remuneration outcomes.

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.

## 9.3. Culture, Capability and Consequences Recommendation Assessment Outcomes

### 9.3.1. Assessment of Recommendation 13

The Target State for Recommendation 13 is for CBA to have an adequate number of OR&C risk professionals, as defined by the target 3LoA operating model, with the right skill sets to support effective NFR management.

CBA has implemented a combination of training, recruitment and retention strategies to ensure OR&C staff across Line 1 and Line 2 have the right skills and expertise. A Capability Framework has been developed and annual Capability Assessments conducted. Changes have made to training, recruitment and retention strategies in response to the results of the Capability Assessments.

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

- requires an annual Capability Assessment and review of the Capability Framework;
- requires regular review and monitoring of the training, retention and recruitment strategies;
- details accountabilities for these processes; and
- requires reporting to the ELT in relation to the progress of the training, retention and recruitment strategies.

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.

### 9.3.2. Assessment of Recommendation 22

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.

CBA has incorporated refreshed Accountability Principles into its Accountability Statements and Statements of Responsibility, and introduced processes for regular review. CBA has also developed guidance material and an 'Accountability Hub' to define and clarify the application of accountability

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

- requires annual review of Accountability Statements and Statements of Responsibility;
- requires regular review of the Accountability Principles and CBA's Accountability Ecosystem;
- requires review of the frameworks supporting accountability, including relevant policies, guidance and processes; and
- details accountabilities for these processes.

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.

### 9.3.3. Assessment of Recommendation 23

The Target State for Recommendation 23 is for the PRC to have the visibility, knowledge and expertise to challenge the Group and Executive remuneration process and its outcomes and to ensure it makes appropriate remuneration adjustments in discharging its responsibilities (including assessing each GE's performance and effectiveness in managing risk). GEs are also to ensure the appropriate correlation between remuneration and accountabilities, applying team-wide consequences in cases of collective failing.

Board Guidance is issued each year, setting out criteria on how remuneration should be adjusted for positive or poor risk outcomes and behaviours. The Group CRO provides the PRC with a formal documented risk assessment of the GE's and the CEO's risk behaviours and outcomes. Papers on Key Risk Matters, Key Audit Matters, the Chief Financial Officer's Observations and the Group CRO risk assessments are provided to the Board Concurrent Committee when it meets to consider CEO and GE remuneration outcomes.

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

- requires an annual Board review of the Group Remuneration Policy and its effectiveness, the Performance and Reward Frameworks, and the risk assessment process;

- requires annual review of the Board risk and remuneration guidance;
- details accountabilities for these processes;
- requires reporting to the PRC, BRCC and CEO on the effectiveness and appropriateness of risk and remuneration outcomes.

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.

#### **9.3.4. Assessment of Recommendation 24b**

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

- 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.

CBA has made improvements to the usability of remuneration data and analysis, including technological enhancements to reporting dashboards. The PRC is also provided with comprehensive reporting that has evolved to reflect PRC feedback.

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

- requires an annual Board review of the Group Remuneration Policy and its effectiveness; and
- details accountability for this process.

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.

### **9.3.5. Assessment of Recommendation 24c**

The Target State for Recommendation 24c is for the PRC's approach to remuneration to take account of the full range of current and potential risks through coordination and support from the BAC and BRCC.

The biannual Board Concurrent Committee meetings discuss, provide input into and challenge the risk assessment and remuneration outcomes for the CEO and each GE. These meetings are supported by reports on key risk, audit, and finance matters that could affect executive remuneration. Board Committee Charters and Forward Planners have been updated to reflect these Concurrent Meetings and the referral of matters and reporting between Committees in relation to risk and remuneration outcomes.

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

- requires an annual review of Board Committee Charters and Forward Planners;
- requires the assessment of Board and Committee performance on an annual basis;
- requires an annual review of the Group Remuneration Policy and its effectiveness;
- details accountabilities for these processes; and
- requires reporting to the Concurrent Committee on risk, audit and financial matters that could affect executive remuneration.

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.

### **9.3.6. Assessment of Recommendation 25b**

The Target State developed by CBA 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.

The Board approves Risk Assessment Guidance which sets out the criteria that guide the risk assessment process. Improvements have been made to data quality to support the risk and performance processes. The CRO challenge process provides challenge on inconsistencies, outliers and levels of STVR adjustment. Group-wide outcomes evidence a more robust and consistent application of the risk modifier and the risk assessment process.

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

- requires an annual review of the risk assessment process;
- requires annual review and PRC approval of the Risk Assessment Guidance;
- requires constructive challenge of remuneration outcomes by BU/SU CROs and the Group CRO;
- details accountabilities for these processes; and
- requires reporting to the Board on the review of Group-wide remuneration outcomes.

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.

### **9.3.7. Assessment of Recommendation 26**

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.

CBA has introduced a remuneration award for good risk management, refined the application of malus and introduced collective risk adjustments. CBA has also commissioned external research in relation to global and domestic best practice.

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

- requires an annual Board review of the Group Remuneration Policy and its effectiveness; and
- details accountability for this process.

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.

### **9.3.8. Assessment of Recommendation 27**

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.

CBA has implemented several interventions relating to senior leader capability training, leadership diagnostic tools and performance assessment. The effectiveness of these initiatives was measured against the baseline established by the Risk Culture Assessment. Some initiatives were expanded or modified based on evidence of their effectiveness.

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

- requires an annual Risk Culture assessment and the development of a Cultural Change Roadmap that articulates the interventions to be implemented in relations to Risk Culture;
- details accountabilities for these processes; and
- required reporting on the Risk Culture Assessment and the progress of interventions to the BRCC.

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.

### **9.3.9. Assessment of Recommendation 28**

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.

CBA has implemented several interventions to uplift senior leaders' capabilities to role model good risk management, including training initiatives and performance assessments. Senior leaders also facilitate risk-related sessions with their teams.

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

- requires an annual Risk Culture assessment and the development of a Cultural Change Roadmap that articulates the interventions to be implemented in relations to Risk Culture;
- details accountabilities for these processes; and
- required reporting on the Risk Culture Assessment and the progress of interventions to the BRCC.

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.

### **9.3.10. Assessment of Recommendation 29**

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/SUs and risk counterparts at all levels are enabled by clear roles and responsibilities, strengthened risk capabilities and 360 feedback.

CBA has implemented several interventions relating to NFR Engagement Forums, risk roundtables and workshops. These interventions were evaluated by the Your Voice survey and supplemented by other data sources.

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

- requires an annual Risk Culture assessment and the development of a Cultural Change Roadmap that articulates the interventions to be implemented in relations to Risk Culture;
- details accountabilities for these processes; and
- required reporting on the Risk Culture Assessment and the progress of interventions to the BRCC.

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.

### **9.3.11. Assessment of Recommendation 30**

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.

CBA has implemented several interventions, including assessment against the Values Expectations in the performance assessment process, the introduction of Excellence Awards with an explicit focus on the Values Expectations, and introducing onboarding processes that reinforce the Values and Code of Conduct.

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

- requires an annual Risk Culture assessment and the development of a Cultural Change Roadmap that articulates the interventions to be implemented in relations to Risk Culture;
- details accountabilities for these processes; and
- required reporting on the Risk Culture Assessment and the progress of interventions to the BRCC.

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.

## 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 (RiC) 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 RiC 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 RiC 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 RiC 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

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

During the Reporting Period Promontory assessed one Program Execution Theme Milestone (Milestone 35.2b) as complete and effective. The Closure Pack for this Milestone was submitted in the Tenth Reporting Period.

At the Reporting Date Promontory was yet to start its review of two Program Execution Theme Milestones (Milestones 35.3a and 35.3b), the Closure Packs for which were submitted in the Twelfth Reporting Period.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, 26 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 RiC practices to strengthen the role of Line 2	Jul-19	●
		11.2 Design	Develop BU/SUs plans to implement the revised RiC methodology, and update the Line 2 assurance program	Sep-19	●
		11.3 Implement	BU/SUs implement RiC methodology	Apr-20	●
		11.4 Embed	BU/SUs have demonstrated effectiveness of RiC in core processes as evaluated by Line 2	Aug-20	●
20	Investment prioritisation	20.1 Design	Revise the 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	●
31	Skin in the game	31.1 Design	Define changes to the CBA Group Delivery Framework (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	●



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#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
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	●

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#	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	◐
		35.3b Embed	All Embed Milestones assessed as complete and effective	Jun-21	◐

### 10.1.2. Status of Program Execution Theme Recommendations

Progress on closing Program Execution Theme Recommendations is set out in Table 10.2 and is discussed in more detail below.

During the Reporting Period:

- The Program submitted the Closure Pack for one Program Execution Theme Recommendation (Recommendation 35) to Promontory. The Closure Pack was submitted by the relevant Due Date set out in the RAP.
- Promontory assessed four Program Execution Theme Recommendations (Recommendations 11, 20, 33b and 34) as closed. The Closure Packs for these Recommendations were submitted in July, September and November 2020.

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At the Reporting Date Promontory was yet to start its review of one Program Execution Theme Recommendation (Recommendation 35), the Closure Pack for which was submitted in June 2021.

Taking into account Recommendations assessed as closed in previous Reporting Periods, as at the Reporting Date, seven of the eight Program Execution Theme Recommendations had been assessed as closed.

**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 RiC is implemented across the Group, with Line 1 applying the methodology consistently, supported by 'approve or accept' from Line 2	Nov-20	●
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	●
35	Embedding project framework	In-scope businesses have aligned with 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

### 10.2.3. 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 35.2b

Milestone 35.2b (an Implement Milestone) requires that all Implement Milestones are assessed as complete and effective.

In December 2020 CBA confirmed and provided evidence that all but a few Implement Milestones had been assessed as complete and effective. These remaining Implement Milestones were assessed as complete and effective in the Eleventh and Twelfth Reporting Periods.

Based on our assessment of the Milestone Closure Pack and our subsequent assessment of the outstanding Implement Milestones as complete and effective, we concluded that all Implement Milestones had been assessed as complete and effective.

## 10.3. Program Execution Theme Recommendation Assessment Outcomes

### 10.3.1. Assessment of Recommendation 11

The Target State for Recommendation 11 is that a standard methodology for RiC is implemented across the Group, with Line 1 applying the methodology consistently, supported by 'approve or accept' from Line 2. This methodology should de-risk the change process by embedding sustainable capability for identifying and managing risk.

CBA has rolled out the RiC Standard and RiC Procedure, which govern the RiC process. The RiC Standard codifies Line 2's 'approve or accept' role. CBA has also developed a RiC Tool that supports the RiC process by providing a single platform for conducting the RiC process.

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

- defines ownership and review cycles for the key frameworks and standards that govern the RiC process;
- defines reporting arrangements to the ELT NFRC and BU/SU NFRCs in relation to instances of non-adherence to the RiC Standard; and
- details accountabilities for these processes.

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.

### **10.3.2. Assessment of Recommendation 20**

The Target State for Recommendation 20 is that:

- CBA's investment prioritisation process, the CIP, provides a more balanced view of risk considerations, promoting greater consideration of emerging risks, resilience issues, and risk outcomes, resulting in a more pre-emptive approach to investment in risk and regulatory projects; and
- regular reporting of CIP outcomes to the ELT delivers transparent application of the process.

CBA has refined the CIP to ensure better consideration of risk outcomes in investment prioritisation by developing 'Guiding Principles' that prioritise risk and regulatory projects. CBA also developed for the ELT NFRC a Risk and Regulatory Dashboard that provides details on the funding status of risk and regulatory project proposals, the spend on high-rated issues, and medium-rated issues for future funding consideration.

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

- requires an annual review of the CIP process and the CIP Standard Operating Procedure
- details accountabilities for these processes; and
- requires the Risk and Regulatory Dashboard report to be provided to the ELT NFRC.

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.

### **10.3.3. Assessment of Recommendation 33b**

The Target State for Recommendation 33b is that sufficient resources are available to ensure that delivery of the RAP is prioritised.

During the initial stages of the Program CBA deferred a number of investment projects to create capacity to support the delivery of the RAP. As part of the CIP process, further decisions have been made to defer projects to ensure capacity is appropriately directed, including for successful delivery of the RAP.

A Sustainability Plan was not developed for Recommendations 33b given that this Recommendation is specific to the Program. Promontory supported this decision.

Promontory therefore considers that:

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

Promontory considers the Recommendation to be closed.

### **10.3.4. Assessment of Recommendation 34**

The Target State for Recommendation 34 is that the updated GDF is being applied consistently. This includes having in place a structured, stage-gated approach to designing and executing initiatives subject to the GDF across the Group, enabling non-adherence to the GDF to be readily identified, and having appropriate consequence management and remuneration impacts linked to delivery outcomes.

CBA has updated the GDF and implemented it using a transitional approach with phased releases. Improvements to the quality of status reporting and Steering Committee oversight have enabled CBA to identify non-adherence to the GDF. CBA has also implemented appropriate consequence management, including remuneration impacts.

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

- requires the GDF to be reviewed annually; and
- details accountability for this process.

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;

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- 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.



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