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

Progress in Addressing Prudential Inquiry Recommendations

Prepared by Promontory Australasia (Sydney) Pty Ltd, an IBM Company

First Report

28 September 2018

PROMONTORY
an IBM Company

Independent Review of the Commonwealth Bank of Australia's Remedial Action Plan
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Promontory Australasia (Sydney), an IBM Company (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) 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 first report (Report) in relation to execution of the RAP. The Report provides an update on actions CBA has taken to execute the RAP as reported to Promontory to 31 August 2018. It also provides further background on the development of the RAP and how it is being managed.

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

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

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Contents

Definitions

3LoA	3 Lines of Accountability
APRA	Australian Prudential Regulation Authority
BAC	Board Audit Committee
BEAR	Banking Executive Accountability Regime
BRC	Board Risk Committee
BROP	Better Risk Outcomes Program
BU	Business Unit
CBA	Commonwealth Bank of Australia
CEO	Chief Executive Officer
CRO	Chief Risk Officer
EGM	Executive General Manager
ELT	Executive Leadership Team
EU	Enforceable Undertaking
KPI	Key Performance Indicator
NFR	Non-Financial Risk
OR&CR	Operational Risk & Compliance Risk
Program	Program of work to develop and coordinate execution of the RAP
Promontory	Promontory Australasia (Sydney) Pty Ltd, an IBM Company
RAP	Remedial Action Plan
RAS	Risk Appetite Statement
RemCo	Board Remuneration Committee
Report	Promontory's First Report
Reporting Period	Period ending 31 August 2018
RMI	Risk Management Implementation
SU	Support Unit
Theme	A shared theme of a series of Recommendations

Executive Summary

The Australian Prudential Regulation Authority (APRA) announced on 28 August 2017 that it would establish a Prudential Inquiry into the Commonwealth Bank of Australia (CBA) to examine whether practices in relation to governance, culture and accountability may have contributed to a series of incidents that led to adverse publicity and regulatory scrutiny.

In its final report (the Inquiry Report) the Inquiry identified a series of shortcomings and made 35 Recommendations as to how these shortcomings should be addressed. APRA has since accepted an Enforceable Undertaking (EU) from CBA that requires it to develop a remedial action plan to address the Inquiry Report's Recommendations.

Promontory Australasia (Sydney) Pty Ltd, an IBM Company (Promontory), has been appointed as the Independent Reviewer to monitor CBA's execution of the Remedial Action Plan (RAP) and to assess the effectiveness of the actions taken to address the Inquiry Report's Recommendations.

This Report provides details of CBA's approach to developing and executing the RAP, and of the progress of Milestones for the period ended 31 August 2018 (the Reporting Period). Information about the status of the Program and of Milestones yet to be completed by CBA is based on reporting provided to us up to 18 September 2018. The Report also summarises the outcomes of our assessment of progress made in the Reporting Period and our approach to monitoring and assessing CBA's progress.

This is the first quarterly report prepared for APRA. The next report is scheduled to be submitted to APRA by 20 December 2018.

1. The Remedial Action Plan

The RAP organises CBA's response to the Inquiry Report's 35 Recommendations into eight thematic groups, each of which reflects a shared theme of a series of Recommendations (Theme). For example, all Recommendations that involve making improvements to the manner in which the Board and its committees interact have been grouped under the 'Board Governance' Theme.

The RAP divides three Inquiry Report Recommendations into sub-recommendations resulting in a total of 44 Recommendations in the RAP.

The RAP describes 153 actions, or 'Milestones', to address the Inquiry Report's Recommendations.

The Milestones for each Recommendation are, in turn, described as either 'Design', 'Implement' or 'Embed' Milestones. The Design Milestones involve defining a Group-wide approach to address the relevant Recommendation. The Implement Milestones involve the initial roll-out or launch of this approach. The Embed Milestones involve achieving demonstrated operational effectiveness of the approach on a sustainable basis.

The number of Milestones by type and Theme are shown in Table 1.

Table 1: Number of Milestones in the RAP to Address the Inquiry Report's Recommendations

Theme	Number of Milestones				Number of Recommendations
	Design Milestones	*Implement Milestones*	*Embed Milestones*	Total	Total
1. **Board Governance** *(Recs 1 to 5)*	7	8	5	**20**	**5**
2. **Management Governance** *(Recs 6, 7, 8, 12c, 19, 20)*	7	7	7	**21**	**6**
3. **Operating Model (3 Lines of Accountability – 3LoA)** *(Recs 9, 10, 12d, 14)*	6	5	4	**15**	**4**
4. **Risk Appetite, Taxonomy and Standards** *(Recs 11, 12a, 12b)*	6	4	4	**14**	**3**
5. **Accountability and Controls Delivery** *(Recs 12e, 12f, 16)*	3	4	3	**10**	**3**
6. **Customer Outcomes** *(Recs 17, 18, 21)*	3	3	3	**9**	**3**
7. **Culture, Capability and Consequences** *(Recs 13, 15, 22, 23, 24a, 24b, 24c, 25a, 25b, 25c, 26 to 30)*	16	17	15	**48**	**15**
8. **Program Execution** *(Recs 31 to 35)*	6	5	5	**16**	**5**
TOTAL	**54**	**53**	**46**	**153**	**44**

2. Remedial Action Plan Program Management

The program of work to develop and coordinate execution of the RAP (the Program) is being managed by a central team in CBA – the Better Risk Outcomes Program (BROP) team. The BROP team has been established with experienced staff drawn from across the organisation. The BROP team works with individual Business and Support Units (BU/SUs) to design, implement and embed the Recommendations.

As described in Chapter 3, work to address each Recommendation is being performed under the oversight of an assigned Banking Executive Accountability Regime (BEAR) Accountable Executive. Successful execution of the RAP will be taken into account in determining aspects of the remuneration of BEAR Accountable Executives, and those directly supporting them in executing the RAP.

Responsibility for major work streams has been assigned to executive-level management.

The Program is overseen by monthly Governance Forums, monthly discussion of the Program at Executive Leadership Team (ELT) and ELT Non-Financial Risk (NFR) committee meetings, and regular reporting and, as needed, escalation to the Board.

CBA has established controls and assurance processes in relation to individual Milestones and the execution of the Program more generally. Processes include introduction of a standard project execution approach, regular reporting of project delivery risks and multi-level sign-offs (including Line 2 review).

3. Observations

Responding to the Inquiry Report Recommendations requires that CBA embark on a process of deep and fundamental change across the organisation. Given the size of the organisation and the breadth of its activities, this will necessarily be a long and complex process.

Promontory observes that to date, CBA's design and management of the Program evidences a commitment to meeting the challenges described in the Inquiry Report in a timely and comprehensive way.

Furthermore, the foundation of a successful risk remediation program is being laid.

Board and Executive Committee oversight is in place. The Board and ELT were both active participants in developing the RAP and are both engaged in monitoring ongoing execution. First line executive sponsorship has also been evident through the design and early execution of the Program and executive support for the Program has been communicated through the organisation. Remuneration outcomes for sponsors and delivery leads have also been designed to reflect delivery of the RAP.

The central BROP team comprises full-time dedicated personnel, many of whom have relevant prior experience in the respective underlying business or support areas. This can provide a basis for turning planned changes from ideas into day-to-day practices across the business.

BROP has put in place a project management structure that encompasses execution standards, multi-level governance, assurance activities including challenge by Line 2 risk management and status reporting.

There is evidence that program delivery risks and issues are being reported on and closely monitored by the Program and its Governance Forum. CBA appears to be responding to delivery risks in a timely way.

The key risks identified to date relate to the need to ensure access to skilled personnel to support the Program, particularly in the human resources and risk management areas. Systems, data, and analytics staffing and resource allocation in support of the Program have also been identified as delivery risks that require close management as the Program evolves. Status reporting indicates that mitigation strategies to address these risks are being developed or are in place.

While initial resourcing plans and a Program budget for the current financial year have been established, we would expect to see evidence of more comprehensive resource planning and committed multi-year budgets going forward.

We understand that Group Audit and Assurance is engaging with the Program to provide assurance that the BROP team is operating effectively and is following the appropriate governance requirements. Group Audit and Assurance is in the process of further developing its assurance plan for BROP activities.

Moving forward, the sheer size of CBA, the extent to which existing processes and sub-culture are embedded, and the complexity of the Program are likely to pose ongoing execution challenges.

The Board and management should, therefore, work to ensure Program momentum is maintained through engagement, communication of its commitment to the Program and monitoring of the Program as it is executed.

Ensuring systems and technology can continue to deliver the information necessary to execute the RAP on a sustainable basis will also be important.

Although there is evidence, based on our interaction with the central BROP team to date, of clear commitment to moving on from the project execution practices criticised in the Inquiry Report, CBA should remain vigilant in ensuring those practices do not re-emerge.

We also consider it prudent for CBA to continue challenging itself around whether the processes it is applying to project execution are necessarily the most effective way of achieving Program outcomes. In particular, as the Program evolves and focus turns from the design of Milestones to implementation, CBA should recognise that project execution risks are likely to increase. This will require ongoing close monitoring and the effective escalation of project risks to appropriate governance forums for discussion and resolution.

In Promontory's experience, the issues described above are not unusual for early-stage, complex programs.

4. Program Progress

At the end of the Reporting Period:

- Promontory had **assessed one Design Milestone** (Milestone 24a.1) as complete and effective;

- The Program had **completed work** on an **additional six Design Milestones** and **two Implement Milestones**. Milestone Closure Packs were delivered to Promontory for those Milestones at the end of the Reporting Period. Promontory had not commenced assessment of those Milestones at the end of the Reporting Period; and

- The Program had **commenced work on 39 (of 54) other Design Milestones** and **11 (of 53) other Implement Milestones**. Work had not started on any Embed Milestone.

Progress to date on completion of the Milestones associated with each Recommendation are summarised by Theme and Recommendation in Table 3 using the reporting scale set out in Table 2.

Details of our approach to monitoring and assessing implementation of the RAP are described in Chapter 4.

We note that where work to deliver a Milestone has commenced but has not been completed in the Reporting Period, Promontory has relied on the assessment of progress as summarised in status reports provided by CBA. The extent of progress on these Milestones has not been independently validated.

Table 2: Reporting Scale[1]

Indicator	Description of Progress
○	Work to deliver Milestones has not commenced
◔	Work to deliver Milestones has commenced but not yet been completed
◐	Work to deliver Milestones has been completed by CBA but Promontory's assessment has not commenced
◕	Promontory's assessment has commenced but not yet been completed
●	Milestones have been completed and assessed by Promontory as effective

Table 3: Progress in Delivering Milestones

	Progress in Delivering Milestones		
	Design Milestones	*Implement Milestones*	*Embed Milestones*
Board Governance			
Recommendation 1: Board visibility	◔	◔	○
Recommendation 2: Board better practice	◔	○	○
Recommendation 3: Board coordination	◔	◔	○
Recommendation 4: Audit Committee	◔	○	○
Recommendation 5: Board reporting	◔	○	○
Management Governance			
Recommendation 6: Collective accountability	◔	◔	○
Recommendation 7: Executive Committee	◔*	○	○

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[1] Where a Recommendation has more than one Design, Implement, or Embed Milestone, the ◔ rating is used to indicate that work has begun on any one of the Milestones. For all other ratings, the rating reflects the least advanced of the Milestones for that Recommendation.

	Progress in Delivering Milestones		
	Design Milestones	**Implement Milestones**	**Embed Milestones**
Recommendation 8: NFR Committee	◑	○	○
Recommendation 12c: Emerging risks	◔	○	○
Recommendation 19: Regulator engagement	◔	○	○
Recommendation 20: Investment prioritisation	◔	○	○
Operating Model (3LoA)			
Recommendation 9: 3LoA	◔	○	○
Recommendation 10: CRO independence	◔	◔	○
Recommendation 12d: Line 2 assurance	◔	○	○
Recommendation 14: Head of Compliance	◑	◔ *	○
Risk Appetite, Taxonomy and Standards			
Recommendation 11: Risk in change	◔	○	○
Recommendation 12a: RAS limits	◔ *	○	○
Recommendation 12b: NFR minimum standards	◔	○	○
Accountability and Controls Delivery			
Recommendation 12e: Control environment	◔	◔	○
Recommendation 12f: Root causes	◔	○	○
Recommendation 16: Issue management	◔	○	○
Customer Outcomes			
Recommendation 17: Customer complaints	◔	○	○
Recommendation 18: Systemic issues	◔	○	○

	Progress in Delivering Milestones		
	Design Milestones	*Implement Milestones*	*Embed Milestones*
Recommendation 21: "Should we"	◔	○	○
Culture, Capability and Consequences			
Recommendation 13: Resourcing	◔	○	○
Recommendation 15: Conduct risk strategy	◔ *	○	○
Recommendation 22: Accountability Principles	◔	○	○
Recommendation 23: Board governance of remuneration	◔	○	○
Recommendation 24a: CRO assessment	●	◑	○
Recommendation 24b: Analytics and reporting	○	○	○
Recommendation 24c: Board Risk Committee support	◔	○	○
Recommendation 25a: Board guidance on risk adjustments	○	○	○
Recommendation 25b: Risk function support on risk adjustments	○	○	○
Recommendation 25c: Communication of outcomes	◔	○	○
Recommendation 26: Remuneration framework review	○	◔	○
Recommendation 27: Culture of self-reflection	◔	○	○
Recommendation 28: Personal and authentic leadership	◔	○	○
Recommendation 29: BU/SU relationships	◔	○	○
Recommendation 30: Vision and Values	◔	○	○

	Progress in Delivering Milestones		
	Design Milestones	*Implement Milestones*	*Embed Milestones*
Program Execution			
Recommendation 31: Skin in the game	◔	◔	○
Recommendation 32: Consequences	◔	◔	○
Recommendation 33: Organisation capacity	◔	◔	○
Recommendation 34: Project disciplines and review	◔	○	○
Recommendation 35: Embedding project framework	○	○	○

* One or more, but not all, of the individual Design, Implement or Embed Milestones for this Recommendation are reported by BROP as having moved to a more advanced stage of progress.

5. Report Structure

The remainder of this Report is structured as follows:

- **Chapter 1** summarises the background leading to the development of the RAP, as well as a brief overview of CBA's approach to executing the RAP, Promontory's role as Independent Reviewer, and key considerations for setting up the Program.

- **Chapter 2** provides an overview of the RAP, including the structure of the RAP and timeframes for completion of the Milestones and Recommendations.

- **Chapter 3** describes CBA's approach to executing the RAP, including Program execution, oversight and assurance.

- **Chapter 4** describes Promontory's approach to monitoring CBA's progress in executing the RAP and to assessing the effectiveness of completed Milestones.

- **Chapter 5** provides Promontory's observations regarding Program activities to date, and challenges faced by CBA in ensuring that its Program is successful.

- **Chapter 6** summarises progress towards completing the Design Milestones and provides the results of our Milestone assessment activities during the Reporting Period.

- **Chapter 7** summarises progress towards completing the Implement Milestones.

This first report does not address the status of Embed Milestones. At this early stage work on these Milestones has not commenced. The Appendix provides additional detail regarding CBA's progress at the individual Milestone level.

1. Introduction

1.1. Background and Overview

On 28 August 2017, APRA announced it would establish a Prudential Inquiry into CBA. The Inquiry followed a number of incidents across CBA that have damaged its reputation and public standing.

APRA subsequently appointed a three member Panel to conduct the Inquiry.

The Terms of Reference of the Inquiry were to:

- Identify core organisational and cultural drivers that contributed to these incidents;

- Assess whether a number of aspects of CBA's governance, culture, accountability, and risk management frameworks conflict with sound risk management or compliance outcomes;

- Consider whether current initiatives are sufficient to respond to any identified shortcomings; and

- Recommend how any remaining shortcomings should be rectified.

On 1 May 2018, APRA released the Inquiry Report. The Inquiry Report identified shortcomings in the governance, culture and accountability frameworks at CBA.

The Inquiry Report described the following four cultural factors the Panel believed lay at the heart of these shortcomings:

- A widespread sense of complacency;

- A reactive stance in dealing with risks;

- Insularity and not learning from experiences and mistakes; and

- An overly collegial and collaborative working environment which lessened the opportunity for constructive criticism, timely decision-making and a focus on outcomes.

The Inquiry Report made 35 Recommendations on how these shortcomings should be addressed.

The Recommendations focused on five key areas:

- More rigorous Board and Executive Committee level governance of non-financial risks;

- Exacting accountability standards reinforced by remuneration practices;

- A substantial upgrading of the authority and capability of the operational risk management and compliance functions;

- Injection into CBA's DNA of the 'should we' question in relation to all dealings with and decisions on customers; and

- Cultural change that moves the dial from reactive and complacent to empowered, challenging and striving for best practice in risk identification and remediation.

On 30 April 2018, in conjunction with the release of the Inquiry Report, APRA accepted an EU offered by CBA.

Clause 12(a) of the EU required CBA to develop and submit the RAP to address the Inquiry Report's Recommendations within 60 days of signing the EU.

Clause 12(b) required the RAP to include;

- A clear and measurable set of responses to each Recommendation;

- A clear timeline for completion of each remedial action; and

- Clear accountabilities at the senior executive level, and other levels as relevant, for completing each action.

APRA also applied a $1 billion add-on to CBA's minimum operational risk capital requirement as outlined in Clause 9 of the EU. Under Clause 15, CBA undertook only to apply for removal of the add-on when it believes it can demonstrate to APRA's satisfaction that it has complied with the specific undertakings in the EU and the commitments in the RAP.

The development, structure, and timeframes associated with the RAP are described in Chapter 2.

The program of work to execute the RAP (the Program) is being managed by the Better Risk Outcomes Program (BROP) team. The BROP team is responsible for developing the tools and processes necessary to execute the RAP. The BROP team will work with individual Business Units and Support Units (BU/SUs) to execute the RAP. Administration of the Program, including execution, oversight and assurance, is described in Chapter 3.

Clause 13 of the EU required the appointment of an Independent Reviewer to report on:

- the status of compliance with the EU; and

- milestones[2] in the RAP that CBA considers are nearing completion.

CBA appointed Promontory as the Independent Reviewer with the appointment approved by APRA on 29 June 2018.

The actions Promontory has taken and will take as Independent Reviewer are described in Chapter 4.

Chapter 10 of the Inquiry's Report identified a number of the characteristics of a successful risk remediation program. These include:

- Board and Executive Committee oversight;

- First Line executive sponsorship;

- Secondment from business lines or other non-risk roles into key Program roles;

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[2] Referred to in the EU as "items".

- Clear objectives, detailed project planning, comprehensive resource planning, clear accountability and committed multi-year budgets;

- Sequencing of initiatives and sourcing skill sets to avoid bottlenecks;

- Engaging internal audit or an outside function to conduct assurance; and

- Positive messaging from leadership to reinforce necessary cultural change.

The extent to which the Program developed by CBA exhibits these characteristics, and the ongoing execution challenges facing CBA in ensuring the Program is successful, are described in Chapter 5.

Chapters 6 and 7 summarise CBA's progress to date in progressing Design and Implement Milestones respectively, and our assessment of the Milestone that CBA completed to 31 August 2018.

The Appendix to this Report provides further detail on the progress of the Design and Implement Milestones.

2. CBA's Remedial Action Plan

2.1. Remedial Action Plan Development

As noted above, CBA was required to submit to APRA a remedial action plan to address the Inquiry Report's Recommendations within 60 days of signing the EU.

After meeting with APRA to agree on its proposed remediation approach, CBA developed a series of Charters addressing its approach to each Recommendation at a high level. The Charters set out the actions to be taken with respect to each Recommendation, timelines for execution, interdependencies between Recommendations and the people responsible for work to deliver each Recommendation.

Using these Charters, CBA then developed a draft of the RAP.

In early June, CBA submitted a draft of the RAP to Promontory. Promontory provided initial challenge and feedback regarding certain elements of the draft RAP based on our interpretation of the substance and spirit of the Inquiry Report.

Promontory's challenges to the draft RAP focused on CBA's interpretation of some Recommendations, planned timeframes to address certain Recommendations and the criteria to be met before a Recommendation could be considered to have been adequately addressed.

The draft RAP was also submitted to the ELT and Board for review and comment.

After revising the RAP to address Promontory, ELT, and the Board's comments, the RAP was submitted to APRA.

On 29 June 2018, APRA endorsed the RAP as submitted by CBA. The endorsed RAP serves as the basis for the current remediation program. Any further changes to the RAP must be endorsed by APRA, with input from Promontory as required.

2.2. Remedial Action Plan Components

The RAP, supported by detailed Charters, consists of the following for each Recommendation:

- A 'Target State' which describes how CBA intends to operate after the Recommendation has been addressed.

- A description of actions, or 'Milestones', to address the Inquiry Report's Recommendations. CBA has identified 153 Milestones. The actions to address any given Recommendation consist of between three and seven Milestones.

- A due date for each Milestone. Due dates range from end-June 2018 to end-March 2021. CBA intends to complete work on each Milestone and submit it to Promontory for assessment by the Milestone due date set out in the RAP.

- 'Closure Criteria' for each Milestone which describe what needs to occur for the Milestone to be assessed as 'complete'.

- An overall closure date for each Recommendation. This is the date by which CBA expects Promontory and APRA to have accepted that the requirements of the Recommendation have been met.

- A Banking Executive Accountability Regime (BEAR) Accountable Executive for each Recommendation. The Executive is ultimately accountable for delivering the changes required to achieve the Target State. Generally, a person or group of people at the executive level, such as the Board Chair or members of the ELT, is the identified Accountable Executive.

- An Execution Lead who is responsible for managing the Milestones that constitute the response to the Recommendation.

For each Recommendation, the RAP also describes relevant context from the Inquiry Report and defines CBA's interpretation of key terms.

2.3. Remedial Action Plan Structure

The RAP organises the Inquiry Report's 35 Recommendations into eight thematic groups. The Themes cover: 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.[3]

Activities to address each Recommendation are organised into 'Design', Implement' and 'Embed' stages with Milestones developed for each stage.

- The Design stage involves defining a Group-wide approach to address the Recommendation.

- The Implement stage involves the initial roll-out or launch of this approach.

- The Embed stage involves achieving demonstrated operational effectiveness of the approach on a sustainable basis.

 The number of each type of Milestone by Theme and Recommendation is set out below (Table 2.1).

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[3] In addition, a ninth thematic group 'Enabling Systems & Data', has been established to manage and oversee technology, analytics and data support across each of the other Themes. No Milestones have been assigned to this Theme.

Table 2.1: Number of Milestones per Recommendation

	Number of Milestones			
	Design Milestones	*Implement Milestones*	*Embed Milestones*	**Total**
Board Governance				
Recommendation 1: Board visibility	1	2	1	4
Recommendation 2: Board better practice	1	2	1	4
Recommendation 3: Board coordination	2	2	1	5
Recommendation 4: Audit Committee	2	1	1	4
Recommendation 5: Board reporting	1	1	1	3
Total	*7*	*8*	*5*	*20*
Management Governance				
Recommendation 6: Collective accountability	1	1	1	3
Recommendation 7: Executive Committee	2	2	2	6
Recommendation 8: NFR Committee	1	1	1	3
Recommendation 12C: Emerging risks	1	1	1	3
Recommendation 19: Regulator engagement	1	1	1	3
Recommendation 20: Investment prioritisation	1	1	1	3
Total	*7*	*7*	*7*	*21*
Operating Model (3LoA)				
Recommendation 9: 3LoA	3	1	1	5
Recommendation 10: CRO independence	1	1	1	3
Recommendation 12D: Line 2 assurance	1	1	1	3
Recommendation 14: Head of Compliance	1	2	1	4
Total	*6*	*5*	*4*	*15*

	Number of Milestones			
	Design Milestones	*Implement Milestones*	*Embed Milestones*	Total
Risk Appetite, Taxonomy and Standards				
Recommendation 11: Risk in change	2	1	1	4
Recommendation 12A: RAS limits	3	2	2	7
Recommendation 12B: NFR minimum standards	1	1	1	3
Total	6	4	4	14
Accountability and Controls Delivery				
Recommendation 12E: Control environment	1	2	1	4
Recommendation 12F: Root causes	1	1	1	3
Recommendation 16: Issue management	1	1	1	3
Total	3	4	3	10
Customer Outcomes				
Recommendation 17: Customer complaints	1	1	1	3
Recommendation 18: Systemic issues	1	1	1	3
Recommendation 21: "Should we"	1	1	1	3
Total	3	3	3	9
Culture, Capability and Consequences				
Recommendation 13: Resourcing	1	1	1	3
Recommendation 15: Conduct risk strategy	2	2	1	5
Recommendation 22: Accountability Principles	1	1	1	3
Recommendation 23: Board governance of remuneration	1	1	1	3
Recommendation 24A: CRO assessment	1	1	1	3
Recommendation 24B: Analytics and reporting	1	1	1	3

	Number of Milestones			
	Design Milestones	*Implement Milestones*	*Embed Milestones*	Total
Recommendation 24C: Board Risk Committee support	1	1	1	3
Recommendation 25A: Board guidance on risk adjustments	1	1	1	3
Recommendation 25B: Risk function support on risk adjustments	1	1	1	3
Recommendation 25C: Communication of outcomes	1	1	1	3
Recommendation 26: Remuneration framework review	1	2	1	4
Recommendation 27: Culture of self-reflection	1	1	1	3
Recommendation 28: Personal and authentic leadership	1	1	1	3
Recommendation 29: BU/SU relationships	1	1	1	3
Recommendation 30: Vision and Values	1	1	1	3
Total	16	17	15	48
Program Execution				
Recommendation 31: Skin in the game	1	1	1	3
Recommendation 32: Consequences	1	1	1	3
Recommendation 33: Organisation capacity	2	1	1	4
Recommendation 34: Project disciplines and review	1	1	1	3
Recommendation 35: Embedding project framework	1	1	1	3
Total	6	5	5	16
GRAND TOTALS	**54**	**53**	**46**	**153**

2.4. Milestone Completion and Recommendation Closure Dates

Milestones are scheduled for completion between end-June 2018 and end-March 2021.

These are the dates by which evidence of completion of the Milestones is scheduled to be delivered to Promontory for our independent assessment.

Most Design Milestones are scheduled for delivery by March 2019. Most Implement Milestones are scheduled to be delivered throughout 2019. Most Embed Milestones are scheduled to be delivered from the end of 2019 onwards.

The numbers of Milestones due for delivery to Promontory by quarter are set out in Table 2.2 below.

Table 2.2 also shows the number of Recommendations targeted for closure by quarter (that is the date by which CBA expects both Promontory and APRA will have accepted that the requirements for the Recommendation have been met). Recommendations are scheduled for closure between September 2019 and June 2021.

The total number of Recommendations in the table (44) is greater than the number in the Inquiry Report. This is because the RAP has divided some Recommendations into sub-Recommendations. Specifically, Recommendation 12 has been split into six components, and Recommendations 24 and 25 have each been split into three components.

Promontory's quarterly Reports to APRA will report on the status of each Milestone as at the end of the month before the due date for the Report.

Table 2.2: Number of Milestones Scheduled to be Delivered and Recommendations Closed by Quarter

	Number of Milestones To Be Delivered				Number of Recommendations To Be Closed
	Design Milestones	*Implement Milestones*	*Embed Milestones*	**Total**	**Total**
30 September 2018	10	2	0	12	0
31 December 2018	24	6	0	30	0
31 March 2019	14	13	0	27	0
30 June 2019	3	7	2	12	0
30 September 2019	3	7	4	14	1
31 December 2019	0	10	12	22	6
31 March 2020	0	6	3	9	9
30 June 2020	0	1	5	6	2

	Number of Milestones To Be Delivered				Number of Recommendations To Be Closed
	Design Milestones	*Implement Milestones*	*Embed Milestones*	**Total**	**Total**
30 September 2020	0	1	3	4	7
31 December 2020	0	0	10	10	2
31 March 2021	0	0	7	7	10
30 June 2021	0	0	0	0	7
TOTAL	54	53	46	**153**	**44**

3.   Approach to Executing the Remedial Action Plan

This Chapter describes the Program CBA has established to execute the RAP.

It covers the following:

- RAP execution activities;

- Program governance; and

- Program assurance.

3.1.   Remedial Action Plan Execution Activities

The BROP team is responsible for managing and coordinating execution of the RAP.

The BROP team has organised the Recommendations in the Inquiry Report, as described above, into three work streams. A 'Stream Lead' from the BROP team has responsibility for managing the response associated with each of these work streams. Specifically, the Stream Leads are tasked with ensuring that the Design, Implement and Embed Milestones associated with their stream are executed in accordance with the RAP. The Stream Leads are also responsible for managing any risks associated with delivery of the Milestones.

'Execution Leads' – experienced CBA executives who are not members of the BROP team – have responsibility for executing Milestones other than those relating to the Program Execution Theme. The Execution Leads work in coordination with Stream Leads to execute the Milestones assigned to them.

Once a Milestone is complete, the BROP team produces a 'Milestone Closure Pack'. The Closure Pack contains the following documents:

- A document summarising the actions taken in completing the Milestone;

- Documents evidencing that these actions took place;

- A Line 2 assurance report; and

- An external quality review report.

Both the relevant Execution Lead and the BEAR Accountable Executive provide sign-off that the Milestone Closure Criteria have been met.

For Milestones that require a Group-wide approach to delivery, the BROP team works with BU/SUs to execute the Milestone. For these Milestones, detailed plans have been developed that will be executed at BU/SU level. The detailed plans set out the actions to be completed by the BU/SUs and also outline their expected interaction with the BROP team. Execution of these plans at the BU/SU level is managed by a Group Executive Lead. The BU/SU plans have been reviewed by the Group Executives of each unit.

An external reviewer has also been engaged to conduct a quality review and prepare the report noted above for each Milestone. The external review seeks to ensure that no material unresolved issues remain outstanding prior to submission of Milestones for Promontory's review.

3.2. Program Governance

A Governance Forum has been established to govern, optimise and effectively manage the Program. Its objective is to ensure the Program remains on track to deliver the EU and the RAP.

The Forum meets monthly.

Attendees include the Head of BROP, the Stream Leads, and representatives from Line 2, Line 3, the external reviewer and Group Finance.

The Governance Forum's responsibilities include:

- Reviewing the progress of all Program initiatives;

- Assessing new and emerging Program risks and determining responses as appropriate; and

- Ensuring that activities are prioritised in line with Program commitments.

Stream Leads report progress to the monthly Governance Forum to ensure that execution of the Program is consistent with CBA's Group Delivery Framework. Promontory representatives are observers at these meetings.

Program progress is also being overseen in several other fora:

- The Design Council, comprising the Head of BROP, Stream Leads, some Execution Leads and Group Executive Leads, meets each week to consider, provide feedback on and challenge the content of upcoming Milestones. The Council aims to act as a control point for ensuring the 'integrity, consistency and sustainability' across all Design Milestones. The Design Council played a similar role in development of the RAP. For some of the more complex recommendations with major impacts across BU/SUs, similar working groups have been established to ensure business perspectives and technical subject matter expertise are incorporated into Milestone design.

- Stream Leads and Group Executive Leads discuss progress at the BU/SU level at the weekly Group Executive Leads Forum. This Forum, whose members include Stream Leads and Group Executive BU/SU representatives, discusses BU/SU progress and escalates and addresses material risks and issues.

- Program challenges for escalation and resolution are discussed at the weekly Cross Stream Dependencies Forum. This Forum, whose members include Stream Leads and key Execution Leads, discusses progress across each Theme and identifies risks and issues for escalation and resolution.

- Information on Program execution risks and Line 2 review is discussed at the NFR Committee on a monthly basis.

The ELT also receives monthly progress reports from the BROP team regarding RAP execution. The ELT has set aside time each month to discuss Program progress and execution risks. The Board also receives regular updates with issues escalated to the Board as needed.

The BROP team has developed a series of processes that seek to ensure that execution of the RAP is on track. One of the key outputs associated with BROP's processes is weekly status reporting from Stream Leads outlining the progress made on the Recommendations for which they are responsible.

3.3. Program Assurance

Line 1 for the Program, which comprises the BROP team, Execution Leads and Group Executive Leads, retains ownership of the execution risk associated with the Program.

Line 1 has instituted controls intended to provide assurance over the quality of Milestone execution and to minimise execution risk. For instance, a standard project execution approach has been developed to minimise variance in the quality of Milestone execution. In addition, Group Executive Leads maintain a risk profile that will be updated with Program delivery risks as they arise.

Line 2, which for the purposes of the Program is drawn from Group Risk, is responsible for providing assurance that Milestones have been delivered in accordance with the RAP.

A key component of this assurance is the preparation and delivery of the Line 2 assurance report, which is included in the Closure Pack for each Milestone. The reports are designed to provide assurance that:

- The Milestone Closure Criteria have been met;

- The Milestone can be delivered to Promontory;

- Program efforts are sustainable and fit for purpose; and

- The Milestone meets the requirements of the Group Risk Management Framework and other risk management policies.

Line 2 is also responsible for providing reports on the completeness and accuracy of status reports that BROP provides to the Governance Forum.

Separately, the Group Chief Risk Officer (CRO) and BU/SU CROs are responsible for providing assurance that the BEAR Accountable Executives have fulfilled their obligations under the RAP, as well as assurance of overall BROP effectiveness.

Line 3, CBA's internal audit function, is responsible for providing assurance that the BROP team is operating effectively and is following appropriate governance requirements.

Group Audit and Assurance have appointed an Executive Manager responsible for Line 3 assurance over BROP. Recruitment of additional Line 3 personnel dedicated to BROP assurance activities is also underway. We understand that Group Audit also plans to meet with BROP management in the coming weeks to discuss the scope and timing of its assurance activities.

4. Promontory's Approach

As noted above, Clause 13 of the EU requires Promontory, as Independent Reviewer, to report on a quarterly basis:

- The status of compliance with the EU; and

- Milestones in the RAP that CBA considers are nearing completion.

We have seen our role, therefore, as requiring us to:

- Monitor progress in executing the RAP;

- Assess both that Milestones have been completed in line with the Closure Criteria and that completed Milestones provide, or are likely to provide, a sound basis for achieving the Target State of the relevant Recommendation; and

- Report our findings to APRA.

This Chapter describes our approach to these tasks.

4.1. Monitoring Progress

Promontory monitors CBA's progress in executing the RAP by:

- Reviewing weekly status reports prepared by the BROP team, and engaging in meetings and discussions regarding such reports with appropriate CBA personnel. The status reports set out the progress made by each CBA Stream Lead in delivering the Design, Implement and Embed Milestones under the RAP. The status reports also provide information on any delivery risks and challenges that may affect the successful and timely completion of Milestones under the RAP.

- Attending weekly project management meetings with members of the central BROP team to discuss project progress, risks to completing Milestones by the due date, administrative procedures and to raise any questions or potential concerns.

- Attending briefing presentations hosted by the central BROP team, intended to summarise the approach to and progress on the responses to certain Recommendations.

- Attending CBA's monthly Governance Forum and observing discussions of progress as presented by Program Stream Leads.

Promontory's monitoring activities are complemented by attending monthly tripartite meetings with CBA and APRA to discuss the status of compliance with the EU. Any proposed changes to the RAP are expected to be discussed in these meetings.

It is also envisaged that Promontory will meet with the ELT and the Board on a regular basis to present our Reports.

In monitoring the progress of Milestones on which work has not yet been completed, Promontory relies on the assessment of progress as summarised in reports provided by the BROP team.

4.2.   Assessing the Effectiveness of Completed Milestones

Promontory is assessing the effectiveness of all Milestones completed by CBA under the RAP, to determine whether the Milestones:

- Satisfy the relevant Closure Criteria in the RAP; and

- Provide, or are likely to provide, a sound basis for achieving the Target State of the relevant Recommendation.[4]

Promontory has developed a structured process for conducting its assessments with respect to each Milestone.

Once CBA considers it has completed a Milestone, a Closure Pack is submitted to Promontory which sets out the materials evidencing Milestone completion. As noted, the Milestone Closure Pack requires sign off by the relevant executives responsible for Milestone delivery, including the BEAR Accountable Executive and Execution Leads.

After reviewing documents in the Closure Pack we make an initial assessment on the effectiveness of the Milestone, and identify whether further information or actions might be required for the Milestone to be effective. In doing so, we note the Line 2 and the external reviewer reports, but make an assessment independently of the opinions and observations in those reports.

Our assessments consider the relevant context in the Inquiry Report, other guidance APRA may have provided, guidance from international bodies and organisations (e.g., Basel Committee on Banking Supervision and Financial Stability Board or as developed by supervisors in other jurisdictions), and Promontory's observations regarding better practice in other jurisdictions.

As part of our initial assessment, we determine whether we require further information or interviews with CBA personnel before we can finalise our conclusions. After receiving any additional documents requested and conducting such interviews, we make and communicate a final assessment taking the factors described above into account.

In assessing effectiveness, we look for evidence that both the letter and spirit of the Milestone and related Recommendation have been addressed. We will assess a Milestone as closed and effective when the Closure Criteria have been met and provide a sound basis for meeting the Target State. Where there is disagreement between Promontory and CBA over the effectiveness of a Milestone, we will liaise with APRA to resolve any issues.

4.3.   Reporting

As noted above, we summarise and provide our views on the status of compliance with the EU based on monitoring CBA's progress and on the results of our assessments of completed Milestones, as at the last day of the month before the due date for each Report.

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[4] Where an Implement Milestone consists of simply implementing the approach designed in the related Design Milestone, our assessment will be limited to establishing that the actions taken satisfy the relevant Closure Criteria.

5. Program Management

Responding to the Inquiry Report Recommendations requires that CBA embark on a process of deep and fundamental change across the organisation. Given the size of the organisation and the breadth of its activities, this will necessarily be a long and complex process.

Promontory observes that to date, CBA's design and management of the Program evidences a commitment to meeting the challenges described in the Inquiry Report in a timely and comprehensive way.

Furthermore, the foundation for meeting a number of the characteristics of successful risk remediation programs, as described below, is being laid.

This Chapter lists seven characteristics of a successful remediation program as outlined in Chapter 10 of the Inquiry Report, and sets out Promontory's observations to date about the extent to which the Program exhibits these characteristics.

Following these observations, we discuss matters for CBA's consideration in moving the Program forward.

5.1. Promontory's Observations

5.1.1. Board and Executive Committee oversight

The Inquiry Report noted that effective Board and Executive Committee oversight will contribute to adequate engagement with relevant parties, foster a sense of urgency, and help maintain focus and momentum.

The Board and ELT were both active participants in the design of the RAP, and are both engaged in monitoring execution.

The Board, through a working group which included the Board Chair, played an active role in providing feedback to and challenging the content of the RAP before it was endorsed by APRA.

The Board has continued to engage in and monitor progress in executing the RAP. Program progress is a regular agenda item at Board meetings. The Head of BROP has attended Board meetings and presented to the Board. The Board also receives regular progress reports. We have been advised that the Board has requested a deep dive review of each major Theme, to be delivered by one or more of the accountable Group Executives.

The Chief Executive Officer (CEO) and ELT similarly played an active role in providing feedback on and challenging the content of the RAP before it was endorsed by APRA.

The ELT has received regular reports on progress in executing the RAP. The Agenda for meetings of the ELT NFR Committee (which comprises all Group Executives) includes a standing item on progress in executing the RAP. The Head of BROP also attends these meetings.

We have been advised that the ELT has formed a Group Executive Working Group to address critical components of several Design Milestones.

We have also been advised that special sessions are to be scheduled to ensure that appropriate time is allocated for reflection and debate on each Milestone requiring ELT consideration.

5.1.2. First line executive sponsorship

The Inquiry Report noted that first line executive (that is business unit Group Executive) sponsorship contributes to turning planned changes from ideas into day-to-day practices.

This sponsorship has been evident through the design and early execution of the Program.

The RAP has been designed to reinforce first line executive sponsorship and accountability. BEAR Accountable Executives, who are accountable for delivering the Inquiry's Recommendations, are drawn in large part from Group Executives. The Program to implement the RAP is sponsored by the CEO.

Each Group Executive, in turn, has appointed a lead accountable person for delivering the RAP in their business or support unit – the Group Executive Lead. A number of meetings of the Group Executive Leads were held as the RAP was developed, to ensure their feedback and input was provided.

Remuneration outcomes for sponsors and delivery leads will reflect delivery of recommendations for which they are accountable.

The commitment of first line executives to sponsoring the Program has also been evident in the approach to communicating CBA's response to the Inquiry Report.

This approach, driven by the CEO, has emphasised the need to successfully execute the Program.

The CEO has used multiple communication channels to raise awareness of the Inquiry Report's recommendations and CBA's commitment, and his commitment, to delivering the Program.

These channels have included Executive General Manager (EGM) and General Manager forums, BROP orientation sessions for Group Executive leads and subject matter experts, and intranet communication to staff.

We understand the BROP team is working with Group Executive Leads on change and communication planning in each of the BU/SUs. A change and communication working group has been established to advance these efforts.

5.1.3. Secondment from business lines or other non-risk roles

The Inquiry Report noted the benefits to the effectiveness of remediation programs of secondment from business lines. It noted that doing so will generate capability, credibility, and links between the Program and the business.

There is evidence of secondments from business lines into the Program. The central BROP team and its leadership comprise people with significant experience of working in other business lines. Team members are drawn primarily from business units, with a smaller number drawn from support units.

The majority of Execution Leads are drawn from and currently work either in business units or key support functions. Most Execution Leads are General Managers or Executive General Managers.

Some members of the central BROP team and the Execution Leads are drawn from risk functions. Given the heavy emphasis of a number of Recommendations on the design and operation of NFR functions and activities, we do not see this as a matter of concern.

5.1.4. Effective project management disciplines

The Inquiry Report noted the following features together contribute to programs being delivered on time and with the right outcomes:

- Clear objectives;

- Detailed project planning;

- Comprehensive resource planning;

- Clear accountability; and

- Committed multi-year budgets.

As noted above, the RAP endorsed by APRA is supported by detailed Charters for each Recommendation that set out target states, timelines, interdependencies, and clear accountabilities.

Governance processes consistent with sound project management practices are also in place to monitor progress and identify risks in a timely way.

The central BROP team receives status reports from each Stream on a weekly basis. A BROP Governance Forum also meets on a monthly basis to track and address risks associated with Program execution. This Forum, which is attended by Promontory representatives in an observer capacity, met for the first time in August and appears to be an effective mechanism for the BROP team to identify and address risks that may impact on successful Program delivery.

Although these processes are still being refined, there is evidence that Program delivery risks and issues are being reported on and closely monitored by the BROP team and Governance Forum. We have also seen that appropriate mitigation and response plans are being developed and executed in an effort to manage these risks in a timely fashion.

For instance, the Program has identified that sourcing of appropriately skilled personnel in certain areas – including human resources and risk management areas – pose delivery risks that require close management to ensure the Program is delivered effectively. These issues are being monitored by each stream and addressed as part of monthly Governance Forums.

While initial resourcing plans and a Program budget for the current financial year have been established, we would expect to see evidence of more comprehensive resource planning and committed multi-year budgets going forward.

The central BROP team has been fully funded and has been assigned dedicated resources to drive delivery of the RAP.

We have also been advised that each business unit has defined its initial resource requirements based on their current understanding of Program deliverables. We are advised that this will continue to be refined over coming months as further work is completed on the design of policies, standards and frameworks needed to meet RAP requirements.

We also understand a commitment has been made to significant funding intended to improve the management of non-financial risk across CBA for the 2019 financial year

Promontory will continue to closely monitor and report on the further development of governance processes and on the status of resourcing and funding issues in future quarterly reports.

5.1.5. Sufficient focus during peak periods

The Inquiry Report noted the importance of sequencing initiatives and sourcing skill sets to avoid bottlenecks and ensure adequate attention. The Inquiry Report also noted that key individuals and subject matter experts must be in a position to give adequate attention to the elements that require their input during projects.

The RAP, as designed, involves a relatively large number of Milestones being delivered during the final quarter of 2018 and the first and final quarters of 2019.

The BROP team has recognised the challenges this may pose and is looking, in most cases, to bring forward or, where appropriate, defer the delivery of Milestones to address these concerns. As an example, it has delivered a number of Milestones to Promontory earlier than was required by the RAP (e.g., Milestones for Recommendations 7, 8 and 14).

A change process is also being developed by the BROP team which will allow changes to be proposed to Milestone due dates to address such concerns. Any changes will be subject to APRA endorsement, with input from Promontory as required.

Promontory will continue to monitor and report on how this change process is being managed in future quarterly reports.

5.1.6. Assurance

The Inquiry Report noted the value of independent assessment of both the health of Program management, and the likelihood of achieving objectives within the proposed timeframe. The Inquiry Report also noted that conducting such assessments gives the Executive team the ability to take remedial action and correct the course of the Program at an early stage.

The Program should benefit from Line 2 reviewing Program health and providing assurance in relation to Milestone completion. These arrangements were put into place recently, with Line 2 providing assurance in relation to Milestones delivered at the end of August. Line 2's assurance work did not identify any issues with the Milestones delivered to end of August, but did make useful comments on a range of matters for the Program to consider as it continues to deliver against the RAP.

We have been advised that the Group Audit and Assurance function (Line 3) was engaged during development of the RAP. The Executive General Manager, Group Audit and Assurance was engaged to provide challenge over the draft of the RAP and in the development of the Governance and Assurance framework over the Program.

We have also been advised that Group Audit has agreed to provide assurance to the CEO and the Board that the Program is operating effectively and following appropriate governance as required to satisfy the EU obligations.

We understand that Group Audit has commenced discussions with the Line 2 function in BROP (to avoid potential duplication in assurance activities), and will meet with BROP management to discuss the scope and

timing of Line 3 assurance activities. The first review scheduled is anticipated to focus on the effectiveness of review and challenge processes associated with BROP Milestone delivery.

A senior member (General Manager) of Group Audit meets on a monthly basis with the central BROP team and is a standing invitee to Governance Forum meetings. As noted, Group Audit is recruiting additional resources to fulfil its responsibilities in relation to BROP assurance activities.

We have not yet had direct engagement with Group Audit, but expect to be better positioned to comment on Group Audit's activities in future reports.

5.1.7. The role of culture

The Inquiry Report noted the major role culture plays in embedding better risk outcomes. It noted that structural initiatives go hand-in-hand with necessary cultural changes, requiring positive messaging from leadership demonstrating commitment to the Program.

The RAP recognises the central role of culture. The RAP and supporting documents identify and address the links between Recommendations that focus on culture (Recommendations 27 to 30) and other key Recommendations (including links to Recommendations in relation to Board and management oversight, risk management and compliance, financial objectives and prioritisation, and accountability).

In our interactions with the central BROP team, a strong sense of commitment to sustainable cultural change has been evident. We see this as important, given the leadership role that team is playing in driving the outcomes the Program is seeking.

As noted above, the CEO and Group Executives have underscored their commitment to the Program through several forms of communication cascaded through the organisation. A BROP communications strategy has been designed to focus on the important ownership role of staff in CBA's efforts to become a 'Better Bank', a component of which covers the need to deliver against the RAP.

5.2. Moving Forward

Although progress has been made in laying a solid foundation for an effective Program, the sheer size of CBA, the extent to which existing processes and sub-cultures are embedded, and the complexity of the Program are likely, in Promontory's view, to pose ongoing execution challenges.

We note the following, in particular. Our quarterly reports will continue to monitor whether and how these challenges are being met.

5.2.1. Maintaining momentum

Both the Board and the ELT should work to ensure that the momentum evident to date is maintained. There may be a risk that over time the project could be seen as a 'business as usual' process increasingly divorced from addressing the events that led to the APRA Prudential Inquiry.

In that regard, the Board and ELT should continue to ensure they remain vigilant and engaged in monitoring and actively challenging the work of the Program.

They should also ensure regular and ongoing communication emphasising their commitment to achieving the Program's outcomes, and their expectation that the entire organisation remains committed to such outcomes. This communication should be cascaded through the organisation.

Accountable Executives should also continue to build on the work done to date and ensure Program results that have been developed are executed fully and monitored on an ongoing basis.

In designing the RAP, the central BROP team recognised that many of the Recommendations (particularly those dealing with risk management and compliance) are likely to involve systems and technology support. We see this as important in ensuring that systems and technology can deliver the information necessary to execute the Recommendations on a sustainable basis.

5.2.2. Ensuring effective execution

The Inquiry Report noted a poor track record and approach by CBA to project execution in risk remediation programs.

Although there is evidence, based on our interaction with the central BROP team to date, of clear commitment to moving on from the practices which contributed to the observations in the Inquiry Report, CBA should remain vigilant in ensuring they do not re-emerge. The work being done in relation to Recommendation 34 on project disciplines is an opportunity to ensure sight of these concerns is not lost.

As the Program evolves and focus turns from the design of Milestones to implementation, CBA should recognise that project execution risks are likely to increase. This will require ongoing close monitoring and the effective escalation of project risks to appropriate governance forums for discussion and resolution.

We consider it prudent for CBA to continue challenging itself around whether the processes it is applying to project execution are necessarily the most effective way of achieving project outcomes.

CBA should also be alert going forward to the potential that over-engineering of processes and governance could cause those engaged in the process to lose sight of the objectives and the intended outcomes of the Program.

Another key risk CBA will face as the Program moves toward implementation of Milestones will be the need to roll-out newly designed policies and standards across BU/SUs in a consistent and timely manner. In this regard, the detailed BU/SU plans that have been developed for Milestones that require a Group-wide approach to delivery (described in Chapter 3) will be an important mechanism for achieving consistency. Execution of these plans at the BU/SU level will need to be closely monitored to ensure the intended outcomes of the RAP are met throughout the Group.

6. Design Milestones Progress and Assessment

6.1. Progress and Status of Design Milestones

This section summarises progress on and the execution status of Design Milestones by Theme. Further detail in relation to individual Design Milestones is set out in Section A.1 of the Appendix.

The summary is based on the BROP Progress Report dated August 2018 and Status Reports dated 7 September 2018 (Status Reports), and the BROP Governance Forum update report dated 18 September 2018 provided to us by the central BROP team.

These reports indicate that work has commenced on 39 Design Milestones with Milestone Closure Packs delivered to Promontory in relation to seven additional Design Milestones for which work had been completed.

As at 31 August 2018, Promontory had completed its assessment of Design Milestone 24a.1, as discussed in Section 6.2 below.

Promontory commenced assessment of the other Milestones for which Milestone Closure Packs have been delivered after the end of the Reporting Period. We will comment on our assessment of these Milestones in the next quarterly report.

Work on the remaining 8 Design Milestones had not yet commenced. The due dates for the majority of these Milestones are in 2019.

Progress reported by the Program on Design Milestones is shown, by Theme, in Table 6.1. The Program reports that all Design Milestones are on-track for completion by their respective due dates.

Table 6.1: Progress on Design Milestones

		Number of Design Milestones					Total
		Work not commenced	*Work in progress*	*Work completed*	*Assessment commenced*	*Assessed as effective*	
1.	**Board Governance**	0	7	0	0	0	7
2.	**Management Governance**	0	5	2	0	0	7
3.	**Operating Model (3LoA)**	2	3	1	0	0	6
4.	**Risk Appetite, Taxonomy and Standards**	1	3	2	0	0	6

		Number of Design Milestones					Total
		Work not commenced	*Work in progress*	*Work completed*	*Assessment commenced*	*Assessed as effective*	
5.	**Accountability and Controls Delivery**	0	3	0	0	0	3
6.	**Customer Outcomes**	0	3	0	0	0	3
7.	**Culture, Capability and Consequences**	4	10	1	0	1	16
8.	**Program Execution**	1	5	0	0	0	6
TOTAL		**8**	**39**	**6**	**0**	**1**	**54**

Despite all Milestones being on track to be delivered on schedule, CBA has identified risks to effective Program delivery.

The key risks identified to date relate to the need to ensure access to skilled personnel to support the Program, particularly in the human resources and risk management areas. Systems, data, and analytics staffing and resource allocation in support of the Program have also been identified as delivery risks that require close management as the Program evolves.

Status reporting indicates, however, that mitigation strategies to address these risks are being developed or are in place.

6.2. Promontory's Design Milestone Assessment Results

During the Reporting Period Promontory completed its assessment of Design Milestone 24a.1.

6.2.1. Assessment of Milestone 24a.1

Theme: Culture, Capability and Consequences

Overview

The Design Milestone for Recommendation 24a requires CBA to enhance the CRO's assessment of the CEO and Group Executive performance with respect to risk (the 'CRO assessment'). Enhancements include:

- Consideration of information on the effectiveness of risk management within each Executive's area of responsibility; and

- Formal assessments to assist the Board Remuneration Committee (RemCo) determine appropriate risk adjustments.

This Milestone has been assessed by Promontory as complete and effective.

Closure Criteria

The Closure Criteria against which we assessed this Milestone require that the Board Risk Committee (BRC) and RemCo receive and consider the enhanced CRO assessment.

Assessment

A formal and documented assessment by the CRO of the effectiveness of risk management in each Group Executive's area of responsibility has been provided to the BRC and the RemCo.

The CRO's assessment has been used to inform the RemCo of recommendations to the Board on adjustments to Group Executive remuneration for the financial year ending 30 June 2018.

The CRO assessment is a significant enhancement of the assessment undertaken for the year ended 30 June 2017.

The most recent CRO assessment includes information on risk measures and events as well as the CRO's assessments of Group Executive performance. It is supported by detailed data and information on key risk matters, including a well-structured Executive Risk Scorecard.

It provides a sound basis for effective oversight of the remuneration framework.

Based on Promontory's assessment, we consider the Closure Criteria for Milestone 24a.1 to have been completed, and the Milestone to provide an effective basis for achieving the Target State.

While we consider the Closure Criteria for 24a.1 to have been completed and the Milestone to be effective, CBA may find it appropriate to consider making ongoing refinements in the information the CRO provides in future assessments. This will help ensure that the recent improvements are effectively embedded (as contemplated in Milestone 24a.3). For example, future assessments could consider:

- Developing more structured guidance on how various risk factors and metrics reported to the BRC and RemCo should be weighted in the CRO's rating and overall assessment; and

- Adding further metrics and information in the Scorecard or supporting appendices to the CRO assessment.

7. Implement Milestones Progress

7.1. Progress and Status of Implement Milestones

This section summarises progress on, and the execution status of the Implement Milestones by Theme. Further detail on progress of individual Implement Milestones is set out in Section A.2 of the Appendix.

The summary is based on the Status Reports and the BROP Governance Forum update report.

These reports indicate work has commenced on 11 Implement Milestones with work on two additional Implement Milestones having been completed and Milestone Closure Packs delivered to Promontory for assessment.

Work on the remaining 40 Milestones had not yet commenced. Due dates for the majority of these Milestones are in 2019 and 2020.

Promontory commenced assessment of the Milestones for which Milestone Closure Packs have been delivered after the end of the Reporting Period. We will comment on our assessment of these Milestones in the next quarterly report.

Progress reported on Implement Milestones is shown, by Theme, in Table 7.1. The Program reports that all Implement Milestones are on-track for completion by their respective due dates.

Table 7.1: Progress on Implement Milestones

		Number of Implement Milestones					Total
		Work not commenced	*Work in progress*	*Work completed*	*Assessment commenced*	*Assessed as effective*	
1.	**Board Governance**	4	4	0	0	0	8
2.	**Management Governance**	6	1	0	0	0	7
3.	**Operating Model (3LoA)**	3	1	1	0	0	5
4.	**Risk Appetite, Taxonomy and Standards**	4	0	0	0	0	4
5.	**Accountability and Controls Delivery**	3	1	0	0	0	4
6.	**Customer Outcomes**	3	0	0	0	0	3

	Number of Implement Milestones					Total
	Work not commenced	*Work in progress*	*Work completed*	*Assessment commenced*	*Assessed as effective*	
7. Culture, Capability and Consequences	15	1	1	0	0	17
8. Program Execution	2	3	0	0	0	5
TOTAL	**40**	**11**	**2**	**0**	**0**	**53**

As noted in Chapter 6, CBA has identified risks to effective Program delivery.

The key risks identified in Chapter 6 are also relevant to delivery of Implement Milestones. They relate to the need to ensure access to skilled personnel to support the Program, particularly in the human resources and risk management areas. As with delivery risks identified for the Design Milestones, status reporting indicates that mitigation strategies are in place or being developed to manage these risks.

Appendix A – Status of the Remedial Action Plan

The status of the Design and Implement Milestones described in this Appendix is based on information included in the Status Reports and the BROP Governance Forum update report. The content of those reports have not been independently verified.

A.1 Progress on Design Milestones by Theme

Design Milestone progress for each Theme is summarised below. Status reporting provided by the Program indicates that all Design Milestones are viewed as on-track for completion by their respective due dates.

A.1.1 Board Governance

Progress on each of the individual Design Milestones that relate to the Board Governance Theme as reported in Status Reports is summarised in Table A.1.1:

Table A.1.1: Progress of Board Governance Design Milestones

Milestone	Recommendation Description	Design Milestone Description	Milestone Due Date	Progress of Design Milestone
1.1	Board visibility	Increase Board engagement with senior management	Dec-18	◕
2.1	Board better practice	Compare the processes and practices of the Board to global better practice	Mar-19	◕
3.1	Board coordination	Amend the BAC Charter to provide for referral of relevant matters to the BRC	Oct-18	◕
3.2	Board coordination	Review Board Committee Charters to consider appropriate cross-referral of matters	Oct-18	◕
4.1	Audit Committee	BAC Committee to set expectations on when BU/SU must present on material issues	Dec-18	◕
4.2	Audit Committee	Review, update and document the end-to-end internal audit practices in relation to issue management	Dec-18	◕
5.1	Board reporting	Design Board reporting in relation to non-financial risk	Feb-19	◕

Work has commenced on all seven Design Milestones related to Board Governance.

A.1.2 Management Governance

Progress on each of the individual Design Milestones that relate to the Management Governance Theme as reported in Status Reports is summarised in Table A.1.2:

Table A.1.2: Progress of Management Governance Design Milestones

Milestone	Recommendation Description	Design Milestone Description	Milestone Due Date	Progress of Design Milestone
6.1	Collective accountability	Develop Group Strategy scorecard that reflects shared accountabilities	Dec-18	◕
7.1	Executive Committee	Establish the ELT NFR Committee to consider risks that span the Group	Sep-18	◑
7.2	Executive Committee	Develop and communicate CEO expectations in relation to behaviours and interactions of the ELT	Oct-18	◕
8.1	NFR Committee	Establish the ELT NFR Committee with agenda, roles and responsibilities defined	Sept-18	◑
12c.1	Emerging risks	Dedicate time to consider emerging risks at the ELT NFR Committee	Dec-18	◕
19.1	Regulator engagement	Define regulatory engagement target operating model	Dec-18	◕
20.1	Investment prioritisation	Revise the investment prioritisation process in relation to risk and regulatory projects	Dec 18	◕

Work has commenced on all seven Design Milestones related to Management Governance.

Milestone Closure Packs for Milestones 7.1 and 8.1 have been delivered to Promontory for assessment. Promontory's assessment of these Closure Packs commenced after the end of the Reporting Period.

A.1.3 Operating Model (3LoA)

Progress on each of the individual Design Milestones that relate to the Operating Model (3LoA) Theme as reported in Status Reports is summarised in Table A.1.3:

Table A.1.3: Progress of Operating Model (3LoA) Design Milestones

Milestone	Recommendation Description	Design Milestone Description	Milestone Due Date	Progress of Design Milestone
9.1	3LoA	Develop approach and tools to align OR&CR activities to the 3LoA Principles	Sep-18	◕
9.2	3LoA	Develop plans to align BU/SU OR&CR activities to the 3LoA Principles	Mar-19	○
9.3	3LoA	Endorse plan to align to the 3LoA Principles of all risk types other than OR&CR	Sep-19	○
10.1	CRO independence	Clarify engagement protocol between BU CROs and BUs to maintain connectivity without compromising independence	Dec-18	◕
12d.1	Line 2 assurance	Define the Line 2 Assurance/Monitoring Program for OR&CR	Dec-18	◕
14.1	Head of Compliance	Include the EGM Compliance as a member of the ELT NFR Committee and include regular time for discussion of compliance matters	Sep-18	◑

Work has commenced on four of the six Design Milestones related to Operating Model (3LoA).

The Milestone Closure Pack for Milestone 14.1 has been submitted to Promontory for assessment. Promontory's assessment of this Closure Pack commenced after the end of the Reporting Period.

The remaining two Design Milestones for which work has yet to begin have due dates in 2019.

A.1.4 Risk Appetite, Taxonomy and Standards

Progress on each of the individual Design Milestones that relate to the Risk Appetite, Taxonomy and Standards Theme as reported in Status Reports is summarised in Table A.1.4:

Table A.1.4: Progress of Risk Appetite, Taxonomy and Standards Design Milestones

Milestone	Recommendation Description	Design Milestone Description	Milestone Due Date	Progress of Design Milestone
11.1	Risk in change	Revise Risk in Change practices to strengthen the role of Line 2 Risk Management	Mar-19	◕
11.2	Risk in change	Develop BU/SUs plans to implement the revised Risk in Change methodology, and update the Line 2 assurance program	Jun-19	○
12a.1	RAS limits	Board to define the OR&CR risk types that are required to have granular metrics in Group Risk Appetite Statement	Aug-18	◑
12a.2	RAS limits	Define the high-level process, timeline and design principles for developing, cascading and monitoring Group-level granular metrics	Aug-18	◑
12a.3	RAS limits	Design granular metrics for inclusion in Group Risk Appetite Statement and cascading into the BU/SU	Oct-18	◕
12b.1	NFR minimum standards	Define criteria for minimum standards in relation to non-financial risk	Dec-18	◕

Work has commenced on five of the six Design Milestones related to Risk Appetite, Taxonomy and Standards.

Milestone Closure Packs for Milestones 12a.1 and 12a.2 have been delivered to Promontory for assessment. Promontory's assessment of these Closure Packs commenced after the end of the Reporting Period.

The remaining Milestone for which work has yet to begin has a due date in 2019.

A.1.5 Accountability and Controls Delivery

Progress on each of the individual Design Milestones that relate to the Accountability and Controls Delivery Theme as reported in Status Reports is summarised in Table A.1.5:

Table A.1.5: Progress of Accountability and Controls Delivery Design Milestones

Milestone	Recommendation Description	Design Milestone Description	Milestone Due Date	Progress of Design Milestone
12e.1	Control environment	Develop the approach to operationalise the Group OR&CR frameworks to uplift the control environment through the RMI program	Dec-18	◔
12f.1	Root causes	Define root cause analysis as part of the Issues Management standard	Dec-18	◔
16.1	Issue management	Design the Issues management standard	Dec-18	◔

Work has commenced on the three Design Milestones related to Accountability and Controls Delivery.

A.1.6 Customer Outcomes

Progress on each of the individual Design Milestones that relate to the Customer Outcomes Theme as reported in Status Reports is summarised in Table A.1.6:

Table A.1.6: Progress of Customer Outcomes Design Milestones

Milestone	Recommendation Description	Design Milestone Description	Milestone Due Date	Progress of Design Milestone
17.1	Customer complaints	Design the complaints reporting standard and define supporting data and system requirements	Dec-18	◔
18.1	Systemic issues	Develop the criteria and plan to enhance systemic issues identification and reporting	Dec-18	◔
21.1	"Should we"	Develop customer outcomes standards to apply cross the product lifecycle and extend product governance forums	Jun-19	◔

Work has commenced on the three Design Milestones related to Customer Outcomes.

A.1.7 Culture, Capability and Consequences

Progress on each of the individual Design Milestones that relate to the Culture, Capabilities and Consequences Theme as reported in Status Reports is summarised in Table A.1.7:

Table A.1.7: Progress of Culture, Capability and Consequences Design Milestones

Milestone	Recommendation Description	Design Milestone Description	Milestone Due Date	Progress of Design Milestone
13.1	Resourcing	Design the risk capability uplift plan	Mar-19	◔
15.1	Conduct risk strategy	Develop and CEO communicate 'Values expectations'	Aug-18	◑
15.2	Conduct risk strategy	Develop the Code of Conduct, and accompanying roll-out plan	Dec-18	◔
22.1	Accountability Principles	Design plans to incorporate and communicate APRA's Accountability Principles into existing accountability frameworks and processes	Dec-18	◔
23.1	Board governance of remuneration	Develop plans for enhanced Board governance and processes for remuneration	Mar-19	◔
24a.1	CRO assessment	Enhance the CRO assessment of CEO and Group Executive risk scorecards	Jun-18	●
24b.1	Analytics and reporting	Develop plan for enhanced analytics and reporting on remuneration outcomes to be provided to the RemCo	Jul-19	○
24c.1	Board Risk Committee support	Develop coordinated approach for Board Committees to ensure that risk outcomes are reflected in CEO and Group Executive remuneration	Mar-19	◔
25a.1	Board guidance on risk adjustments	Strengthen guidance to management on the Board's expectations for risk adjustments to remuneration outcomes	Mar-19	○

Milestone	Recommendation Description	Design Milestone Description	Milestone Due Date	Progress of Design Milestone
25b.1	Risk function support on risk adjustments	Design an enhanced approach for risk assessment that appropriately penalises or rewards risk and compliance and outcomes	Mar-19	○
25c.1	Communication of outcomes	Develop a communications mechanism and strategy to communicate the impact of both good and poor risk outcomes to CBA staff	Oct-18	◔
26.2	Remuneration framework review	Review the Group Remuneration Policy, informed by better global practices	Jun-19	○
27.1	Culture of self-reflection	Develop plans to uplift risk culture mindsets and behaviours with targeted initiatives on self-reflection	Mar-19	◔
28.1	Personal and authentic leadership	Develop plans to uplift risk culture mindsets and behaviours, with targeted initiatives on role-modelling by senior leaders	Mar-19	◔
29.1	BU/SU relationships	Develop plans to uplift risk culture mindsets and behaviours, with targeted initiatives on the relationship between business and risk functions	Mar-19	◔
30.1	Vision and Values	Develop plans to uplift risk culture mindsets and behaviours, with targeted initiatives on conduct and values	Mar-19	◔

Work has commenced on 12 Design Milestones related to Culture, Capability and Consequences.

Of these, Milestone 24a.1 has been assessed by Promontory as complete and effective. A Milestone Closure Pack for Milestone 15.1 has also been delivered to Promontory for assessment. Promontory's assessment of this Closure Pack commenced after the end of the Reporting Period.

The four Milestones for which work has yet to begin have due dates on or after December 2018.

A.1.8 Program Execution

Progress on each of the individual Design Milestones that relate to the Program Execution Theme as reported in Status Reports is summarised in Table A.1.8:

Table A.1.8: Progress of Program Execution Design Milestones

Milestone	Recommendation Description	Design Milestone Description	Milestone Due Date	Progress of Design Milestone
31.1	Skin in the game	Define changes to the CBA Group Delivery Framework to require CBA Delivery Leads to have appropriate skills and experience, and with KPIs/objectives tied to successful program delivery	Sep-18	◕
32.1	Consequences	Define changes to the Group Delivery Framework in relation to remuneration outcomes reflecting delivery requirements and accountabilities	Mar-19	◕
33.1	Organisation capacity	Define resourcing and technology needs to support delivery of the 35 APRA Recommendations	Sep-18	◕
33.2	Organisation capacity	Design 'capacity' prioritisation processes and guidelines to assist with program decisioning	Nov-18	◕
34.1	Project disciplines and review	Enhance the Group Delivery Framework to ensure it is fit for purpose for all Programs in the Group	Dec-18	◕
35.1	Embedding project framework	Consolidate the design outputs of the Remedial Action Plan into a clear set of standards for Group to follow	Jul-19	○

Work has commenced on five of the six Design Milestones related to Program Execution.

The remaining Milestone has a due date in 2019.

A.2 Progress on Implement Milestones by Theme

Implement Milestone progress for each Theme is summarised below. CBA status reporting indicates that all Implement Milestones are viewed as on-track for completion by their respective due dates.

A.2.1 Board Governance

Progress on each of the individual Implement Milestones that relate to the Board Governance Theme as reported in Status Reports is summarised in Table A.2.1:

Table A.2.1: Progress of Board Governance Implement Milestones

Milestone	Recommendation Description	Implement Milestone Description	Milestone Due Date	Progress of Implement Milestone
1.2	Board visibility	Establish Board agenda item on NFR issues and quality of information	Mar-19	◑
1.3	Board visibility	Amend ELT agenda to include discussion of Board information	Nov-18	◑
2.2	Board better practice	Change processes and practices in line with Board approved recommendations	Oct-19	○
2.3	Board better practice	Update Board Corporate Governance Guidelines to require periodic review of practices	Dec-19	○
3.3	Board coordination	Amend Board Committee agendas to include information sharing and issues referral	Mar-19	◑
3.4	Board coordination	Establish Board Committee joint meeting to consider NFR matters related to executive performance and remuneration	Aug-19	◑
4.3	Audit Committee	Amend internal audit process to include BU/SU issue owners appearing before BAC	Jun-19	○
5.2	Board reporting	Commence revised operational risk, compliance and regulatory risk reporting to the Board and BRC	Sep-19	○

Work has commenced on four of the eight Implement Milestones related to Board Governance. The four Milestones for which work has yet to begin have due dates in 2019.

A.2.2 Management Governance

Progress on each of the individual Implement Milestones that relate to the Management Governance Theme as reported in Status Reports is summarised in Table A.2.2:

Table A.2.2: Progress of Management Governance Implement Milestones

Milestone	Recommendation Description	Implement Milestone Description	Milestone Due Date	Progress of Implement Milestone
6.2	Collective accountability	Board approves changes to Group Executive scorecards/KPIs to include shared priorities and accountability for RAP	Feb-19	◕
7.3	Executive Committee	ELT operating according to CEO's expectations	Mar-19	○
7.4	Executive Committee	ELT NFR meetings are operating in accordance with Charter	Feb-19	○
8.2	NFR Committee	ELT NFR meetings are operating in accordance with Charter	Feb-19	○
12c.2	Emerging risks	Discuss emerging risks at ELT NFR	May-19	○
19.2	Regulator engagement	Target operating model for regulatory engagement in place	Jun-19	○
20.2	Investment prioritisation	Develop quarterly ELT dashboard on investment allocation	Mar-19	○

Work has commenced on one of the seven Implement Milestones related to Management Governance. The remaining Milestones have due dates in 2019.

A.2.3 Operating Model (3LoA)

Progress on each of the individual Implement Milestones that relate to the Operating Model (3LoA) Theme as reported in Status Reports is summarised in Table A.2.3:

Table A.2.3: Progress on Operating Model (3LoA) Implement Milestones

Milestone	Recommendation Description	Implement Milestone Description	Milestone Due Date	Progress of Implement Milestone
9.4	3LoA	Realign Line 1 and 2 OR&CR activity	Mar-20	○
10.2	CRO independence	Reinforce independence of BU CRO by amending reporting lines and KPIs	Feb-19	◔
12d.2	Line 2 assurance	Commence Line 2 Assurance/Monitoring Program for OR&CR	Jun-19	○
14.2	Head of Compliance	Provide EGM Compliance with access to Board and BRC and removal/appointment protocols	Sep-18	◑
14.3	Head of Compliance	EGM Compliance attends ELT NFR meetings	Feb-19	○

Work has commenced on two of the five Implement Milestones related to Operating Model (3LoA).

The Milestone Closure Pack for Milestone 14.2 has been delivered to Promontory for assessment. Promontory's assessment of the Milestone Closure Pack commenced after the end of the Reporting Period.

The remaining three Implement Milestones for which work has yet to begin have due dates in 2019 and 2020.

A.2.4 Risk Appetite, Taxonomy and Standards

Progress on each of the individual Implement Milestones that relate to the Risk Appetite, Taxonomy and Standards Theme as reported in Status Reports is summarised in Table A.2.4:

Table A.2.4: Progress of Risk Appetite, Taxonomy and Standards Implement Milestones

Milestone	Recommendation Description	Implement Milestone Description	Milestone Due Date	Progress of Implement Milestone
11.3	Risk in change	BU/SUs implement Risk in Change methodology	Dec-19	○
12a.4	RAS limits	Update Group RAS to incorporate granular metrics for OR&CR risk types	Nov-18	○

Milestone	Recommendation Description	Implement Milestone Description	Milestone Due Date	Progress of Implement Milestone
12a.5	RAS limits	Cascade Group RAS metrics, triggers and limits into BU/SUs RASs	Feb-19	○
12b.2	NFR minimum standards	Define minimum standards for prioritised risk types	May-19	○

Work has not yet commenced on the four Implement Milestones related to Risk Appetite, Taxonomy and Standards. Milestone 12a.4 has a due date in November 2018, and the remainder have due dates in 2019.

A.2.5 Accountability and Controls Delivery

Progress on each of the individual Implement Milestones that relate to the Accountability and Controls Delivery Theme as reported in Status Reports is summarised in Table A.2.5:

Table A.2.5: Progress of Accountability and Controls Delivery Implement Milestones

Milestone	Recommendation Description	Implement Milestone Description	Milestone Due Date	Progress of Implement Milestone
12e.2	Control environment	Establish an initial baseline understanding of material risks and controls for each BU/SU	Mar-19	◔
12e.3	Control environment	Complete prioritised risk and control reviews for each BU/SU	Nov-19	○
12f.2	Root causes	Implement root cause analysis as part of Issues Management standard	Dec-19	○
16.2	Issue management	Roll out updated Issues Management standard to each BU/SU	Dec-19	○

Work has commenced on one of the four Implement Milestones related to Accountability and Controls Delivery.

The remaining three Implement Milestones for which work has yet to begin have due dates in 2019.

A.2.6 Customer Outcomes

Progress on each of the individual Implement Milestones that relate to the Customer Outcomes Theme as reported in Status Reports is summarised in Table A.2.6:

Table A.2.6: Progress of Customer Outcomes Implement Milestones

Milestone	Recommendation Description	Implement Milestone Description	Milestone Due Date	Progress of Implement Milestone
17.2	Customer complaints	Review complaints reports at ELT NFR, BRC and BU/SU Risk Committees	Jun-19	◯
18.2	Systemic issues	Review systemic issues reports at ELT NFR, BRC and BU/SU Risk Committees	Jun-19	◯
21.2	"Should we"	Implement customer standards, governance forums and actions plans across major products in each BU/SU	Dec-19	◯

Work has not yet commenced on the three Implement Milestones related to Customer Outcomes. These Milestones have due dates in 2019.

A.2.7 Culture, Capability and Consequences

Progress on each of the individual Implement Milestones that relate to the Culture, Capability and Consequences Theme as reported in Status Reports is summarised in Table A.2.7:

Table A.2.7: Progress of Implement Culture, Capability and Consequences Implement Milestones

Milestone	Recommendation Description	Implement Milestone Description	Milestone Due Date	Progress of Implement Milestone
13.2	Resourcing	Implement training, recruitment and retention capability uplift	Mar-20	◯
15.3	Conduct risk strategy	Roll out conduct strategy, including communication and training	Mar-19	◯
15.4	Conduct risk strategy	Implement conduct risk strategy across the Group	Dec-19	◯
22.2	Accountability Principles	Implement Accountability Principles via BEAR	Aug-19	◯

Milestone	Recommendation Description	Implement Milestone Description	Milestone Due Date	Progress of Implement Milestone
		requirements, existing accountability frameworks and staff communication		
23.2	Board governance of remuneration	Implement enhanced governance processes including increased reporting and review	Aug-19	○
24a.2	CRO assessment	Finalise enhanced CRO assessment of CEO and Group Executive performance	Aug-18	◑
24b.2	Analytics and reporting	Improve analytics and reporting provided to Board	Oct-19	○
24c.2	Board Risk Committee support	Increase co-ordination between BRC, BAC and RemCo and provide RemCo with additional information	Oct-19	○
25a.2	Board guidance on risk adjustments	Incorporate strengthened Board guidance into FY19 remuneration reviews	Aug-19	○
25b.2	Risk function support on risk adjustments	New process in place to strengthen the role of the risk function in FY19 remuneration reviews	Aug-19	○
25c.2	Communication of outcomes	Communicate good and poor FY18 risk outcomes with the organisation	Nov-18	○
26.1	Remuneration framework review	Implement upside remuneration facility for positive risk assessment	Oct-18	◔
26.3	Remuneration framework review	Reflect enhancements in FY19 remuneration outcomes	Jun-20	○
27.2	Culture of self-reflection	Implement targeted interventions on senior leader capability, leadership diagnostics and performance assessment	Mar-20	○
28.2	Personal and authentic leadership	Implement targeted interventions and annual re-assessment of leader led	Mar-20	○

Milestone	Recommendation Description	Implement Milestone Description	Milestone Due Date	Progress of Implement Milestone
		training and senior leader communications		
29.2	BU/SU relationships	Implement targeted interventions including Line 1 and 2 engagement forums and career pathways	Mar-20	○
30.2	Vision and Values	Implement targeted interventions including communications, recognition, values performance assessment and HR processes	Mar-20	○

Work has commenced on two of the 17 Implement Milestones related to Culture, Capability and Consequences. The Milestone Closure Pack for Milestone 24a.2 has been delivered to Promontory for assessment. Promontory's assessment of the Milestone Closure Pack commenced after the end of the Reporting Period.

One of the Milestones on which work has yet to begin, Milestone 25c.2, has a due date of November 2018. The remaining Milestones have due dates in 2019 and 2020.

A.2.8 Program Execution

Progress on each of the individual Implement Milestones that relate to the Program Execution Theme as reported in Status Reports is summarised in Table A.2.8:

Table A.2.8: Progress of Program Execution Implement Milestones

Milestone	Recommendation Description	Implement Milestone Description	Milestone Due Date	Progress of Implement Milestone
31.2	Skin in the game	Identify Programs that require Senior Leaders to perform a lead role and update KPIs	Dec-18	◕
32.2	Consequences	Update KPIs for relevant staff to reflect delivery requirements and standards	Sep-19	◕
33.3	Organisation capacity	Stop or defer existing Programs as directed by ELT and reallocate funding to delivery of recommendations	Dec-18	◕

Milestone	Recommendation Description	Implement Milestone Description	Milestone Due Date	Progress of Implement Milestone
34.2	Project disciplines and review	Enhance CBA GDF including formalising Stage Gate review, Health Checks, required skillsets and risk in change process	Jul-20	○
35.2	Embedding project framework	BU/SUs implement design standards in Recommendations 1 to 34	Nov-19	○

Work has commenced on three of the five Implement Milestones related to Program Execution.

The remaining two Implement Milestones for which work has yet to begin have due dates in 2019 and 2020.