



RAP Sustainability Review - Summary

Prepared for

Commonwealth Bank of Australia

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Background

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

On 1 May 2018, APRA published the Prudential Inquiry into the Commonwealth Bank of Australia (CBA) Final Report (Inquiry Report) and, in conjunction, APRA accepted an Enforceable Undertaking (EU) offered by CBA. The EU required CBA to develop a Remedial Action Plan (RAP) to address the recommendations set out in the Inquiry Report (Inquiry Recommendations, or Recommendations).

Over the following years, CBA developed and executed the RAP to address the Recommendations. Promontory Australia, a Business Unit of IBM Consulting (Promontory, we or us), as Independent Reviewer, provided quarterly reports to APRA on the status of compliance with the EU and the milestones in the RAP that CBA considered were complete. Promontory issued its Thirteenth Report (Final Report) under the EU on 30 September 2021, marking the closure of the RAP. Our Final Report confirmed that CBA had delivered all Recommendations under the RAP completely and effectively and that the Target States set out within the RAP had been achieved.

Following closure of the RAP, CBA entered a Transition Period to allow for further embedding of selected remaining items and to demonstrate sustainment of the outcomes of the RAP post-completion. To support CBA's own assessment of sustainability, the various recommendations of the Prudential Inquiry were consolidated into 15 Focus Areas. Promontory provided its final assurance report indicating closure of the Transition Period in July 2022. Our report confirmed that CBA had not just sustained but simplified and built on the foundations of the RAP.

Since the end of the Transition Period, CBA continued to evolve its approach to sustainability monitoring. This included several reviews by both the CBA Group Chief Controls Office and CBA Group Audit & Assurance.

In September 2024, Promontory was engaged to conduct an independent, high-level interim review of CBA's sustainment of RAP outcomes (Interim Review). Promontory has now been engaged to conduct a final, independent review of CBA's sustainment of RAP outcomes (Review). The objective of this review was to assess whether the behaviours and practices established through the RAP have been sustained and continuously improved.

Outcomes

In our Final Report, we noted that the success of CBA's response to the Inquiry Report would be judged not by the quality of revised processes and documentation. It will be judged by outcomes, in particular outcomes experienced by the Bank's customers. Sustaining the hard-fought gains achieved through the RAP would require a permanent commitment by the Bank at all levels.

Promontory's overall view is that the outcomes achieved through the RAP have been sustained. Across each of the 15 Focus Areas established at the commencement of the Transition Period, CBA has not 'stood still'. Rather, we observed continued emphasis on refinement and improvement of risk practices, supported by governance frameworks and structures established through the RAP. This applies, to varying degrees, across the key themes of:

- Governance – consisting of the Board Governance, Executive Leadership Team Non-financial Risk Committee, and Accountability and Remuneration Focus Areas.
- Customer and Culture - consisting of the Conduct and Customer Outcomes, and Risk Culture Focus Areas.
- Operating Model - consisting of the Three Lines of Accountability and Line 2 Assurance, Operational Risk and Compliance Resources, and the Group Delivery Framework, Program Execution and Investment Prioritisation Focus Areas.

- Risk Practices – consisting of the Risk Appetite, Minimum Standards, Control Environment and Risk and Control Self-Assessment, Compliance and Regulatory Management, Issues Management, Risk in Change, and Emerging Risks Focus Areas.

Importantly, the desired target states associated with the Focus Areas have been embedded within and across CBA.

Promontory recognises that CBA continues to operate within a series of inherent tensions, including protecting its organisational reputation while pursuing growth and innovation, balancing a learning culture with consequence management, and setting effective guardrails without becoming overly prescriptive and removing the ability to exercise judgement. At an organisational level, CBA has generally navigated these tensions effectively. However, given the scale and complexity of CBA's operations, the ongoing challenge remains to continue uplifting practices, consistently applying learnings across the organisation, and leveraging the governance foundations to share insights and best practice.

During our engagement, one of the common themes that emerged was that the messaging from leadership and the 'tone from the top' remained supportive of the sustainment of RAP outcomes. While acknowledging this, history - including APRA's 2018 Prudential Inquiry – makes it clear that continued financial success can 'dull' the management of non-financial risks. Accordingly, it remains essential that the Board continues to exercise effective challenge and oversight, particularly given CBA's favourable market position and strong financial performance.

Organisational focus on governance and risk culture can diminish in periods of positive outcomes, and without deliberate reinforcement, challenge can soften and risks may be overlooked. Promontory notes CBA's ongoing focus on risk culture and customer outcomes, and maintaining this discipline will be critical to ensuring RAP outcomes remain embedded and continue to support long-term resilience.

In our Interim Review, notwithstanding evidence of continuous improvement and sustainment of outcomes, we identified several 'watch points', largely relating to areas where there had been more recent changes implemented. The 'watch points' included that the 'Should We?' test was not diminished by changes to CBA's Code of Conduct that introduced 'Must We?' and 'Can We?' tests; embedding Line 2 ways of working through an Agile operating environment; and striking the right balance through performance and reward to achieve the desired learning culture. As a result of considered implementation, we now view the priority in monitoring these specific 'watch points' has diminished.

As it relates to the 'Should We?' test, Promontory considers that the introduction of the 'Must We? And 'Can We?' tests, included to emphasise the need to comply with legal and compliance obligations, have not diluted the primacy of the 'Should We?' test.

The continued embedding of Agile ways of working has supported several RAP outcomes, including clearer accountability, improved prioritisation and more effective decision making. Risk practices have adapted, including through strengthened engagement across the three lines of accountability and the management of risk in change through evolution of risk in change frameworks.

Customer considerations remain an important focus across CBA, evidenced through leadership communications, ongoing refinements to complaints processes and insights from the introduction of the 'customer journey'. While there is recognition of the potential benefits of more closely aligning customer journey approaches with risk practices, the opportunity remains to integrate aspects of risk management practices with customer journeys.

Across CBA, there is a clear recognition that one of the key outcomes of the RAP was the enhancement of governance foundations. These foundations were consistently described as reducing the likelihood that issues go unnoticed, with fewer opportunities for risks to remain unchallenged. This is reflected in CBA's continued willingness to adapt risk practices, and to make changes where outcomes are not delivering the intended effect.

In delivering this Review, we were attuned to the possibility, albeit remote, that CBA would consider that in concluding the RAP there was now seen to be an opportunity 'stand still'. However, there was universal

acknowledgement that further work remains in the pursuit of both the target states associated with the RAP and the ongoing evolution of the broader risk environment.

Looking Forward

In Promontory's Third Report of the Transition Period, issued in July 2022, three markers were highlighted as being relevant for CBA to continue to test that, as an organisation, it has not 'slipped back'. The markers identified were; maintaining unity of purpose; managing transformation; and maintaining a culture of continuous improvement. Promontory observed a strong and ongoing commitment to each of these markers.

As important as monitoring these markers is, there is a need for CBA to continually reflect on the cultural drivers that contributed to the need for the RAP. The Prudential Inquiry identified these drivers as; a widespread sense of complacency; a reactive stance in dealing with risks; insularity and a failure to learn from experiences and mistakes; and an overly collegial and collaborative working environment. While Promontory does not consider there to be evidence of these markers present at CBA, continued vigilance remains essential.

In the long run, however, the success of CBA's response to the Inquiry Report will be judged not by the quality of revised processes and documentation. It will be judged by outcomes, in particular outcomes experienced by the Bank's customers. Retaining the memory of the cultural markers within the institutional, and analysing and re-analysing them, will require ongoing commitment.

Disclaimer

Promontory Australia, a business unit of IBM Consulting (Promontory, we or us), has been appointed by Commonwealth Bank of Australia Limited (CBA or the Bank) to conduct a review of the sustainability of outcomes achieved through the Remedial Action Plan (RAP).

The assessment is based on information received from CBA, meetings with CBA representatives over several weeks through November and December 2025, and observation of several Non-Financial Risk Committees (NFRCs). In producing this Report, Promontory requested and relied on CBA's provision of complete, accurate, timely, and correct information and all necessary rights and permissions to use such information to generate and share the Report.

Representatives from CBA have 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.

Promontory's role was limited to assessing the sustainment of RAP outcomes and, as such, may not incorporate all matters that might be pertinent or necessary to a third party's evaluation of risk management or governance outcomes, or any information contained in this Report. Promontory's Report has been prepared for CBA. No other third-party beneficiary rights are granted or intended, and any use of this Report by another party is at its own risk.

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