



ASX announcement

Independent Review of CBA's Remedial Action Plan

Wednesday 12 August 2020 (SYDNEY): Commonwealth Bank of Australia (CBA) today provides the attached Independent Review of CBA's Remedial Action Plan – Progress in Addressing Prudential Inquiry Recommendations, Eighth Report.

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The release of this announcement was authorised by the Continuous Disclosure Committee.



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

Progress in Addressing Prudential Inquiry Recommendations

Prepared by Promontory Australia, a division of IBM

Eighth Report

31 July 2020

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Promontory Australia, a division of IBM (**Promontory** or **we**) has been engaged as the Independent Reviewer of Commonwealth Bank of Australia's (**CBA's**) Remedial Action Plan (**RAP**) to address the Recommendations of the Australian Prudential Regulation Authority's (**APRA**) 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 eighth report (**Eighth Report**) in relation to execution of the RAP. The Report provides an update on actions CBA has taken to execute the RAP in the period from 1 April 2020 to 30 June 2020. It also provides an update on CBA's program management of the RAP.

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

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

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Contents

EXECUTIVE SUMMARY	6
1. INTRODUCTION.....	11
1.1. BACKGROUND	11
1.2. THE REMEDIAL ACTION PLAN	12
1.3. PROMONTORY'S INDEPENDENT REVIEWER ACTIVITIES	14
1.4. REPORT STRUCTURE	17
2. PROGRAM DEVELOPMENTS	18
2.1. PROGRAM PROGRESS.....	19
2.2. KEY PROGRAM DEVELOPMENTS	22
2.2.1. Board and Executive Leadership Oversight.....	22
2.2.2. Program Governance	23
2.2.3. Program Design.....	24
2.2.4. Program Delivery.....	26
2.2.5. Program Management.....	30
2.2.6. Risk and Assurance Oversight.....	34
2.3. ONGOING CHALLENGES AND THE ROAD AHEAD	35
2.4. FOCUS AREAS	39
3. BOARD GOVERNANCE THEME MILESTONES	41
3.1. STATUS OF BOARD GOVERNANCE THEME	41
3.1.1. Status of Board Governance Theme Milestones.....	41
3.1.2. Status of Board Governance Theme Recommendations	44
3.2. BOARD GOVERNANCE THEME RECOMMENDATION ASSESSMENT OUTCOMES	45
3.2.1. Assessment of Recommendation 1	45
4. MANAGEMENT GOVERNANCE THEME MILESTONES.....	46
4.1. STATUS OF MANAGEMENT GOVERNANCE THEME.....	46
4.1.1. Status of Management Governance Theme Milestones.....	46
4.1.2. Status of Management Governance Theme Recommendations	48
4.2. MANAGEMENT GOVERNANCE THEME MILESTONE ASSESSMENT OUTCOMES	49
4.2.1. Assessment of Recommendation 19 Milestone	49
5. OPERATING MODEL (3LOA) THEME MILESTONES	52
5.1. STATUS OF OPERATING MODEL (3LOA) THEME	52
5.1.1. Status of Operating Model (3LoA) Theme Milestones.....	52
5.1.2. Status of Operating Model (3LoA) Theme Recommendations	53
5.2. OPERATING MODEL (3LOA) THEME MILESTONE ASSESSMENT OUTCOMES	54
5.2.1. Assessment of Recommendation 9 Milestone	54
6. RISK APPETITE, TAXONOMY AND STANDARDS THEME MILESTONES	56
6.1. STATUS OF RISK APPETITE, TAXONOMY AND STANDARDS THEME.....	56
6.1.1. Status of Risk Appetite, Taxonomy and Standards Theme Milestones	56

6.1.2.	<i>Status of Risk Appetite, Taxonomy and Standards Theme Recommendations</i>	59
6.2.	RISK APPETITE, TAXONOMY AND STANDARDS THEME MILESTONE ASSESSMENT OUTCOMES ...	60
6.2.1.	<i>Assessment of Recommendation 12a Milestone</i>	60
6.2.2.	<i>Assessment of Recommendation 12c Milestone</i>	61
7.	ACCOUNTABILITY AND CONTROLS DELIVERY THEME MILESTONES	63
7.1.	STATUS OF ACCOUNTABILITY AND CONTROLS DELIVERY THEME.....	63
7.1.1.	<i>Status of Accountability and Controls Delivery Theme Milestones</i>	63
7.1.2.	<i>Status of Accountability and Controls Delivery Theme Recommendations</i>	65
7.2.	ACCOUNTABILITY AND CONTROLS DELIVERY THEME MILESTONE ASSESSMENT OUTCOMES	66
7.2.1.	<i>Assessment of Recommendation 12e Milestone</i>	66
8.	CUSTOMER OUTCOMES THEME MILESTONES	68
8.1.	STATUS OF CUSTOMER OUTCOMES THEME.....	68
8.1.1.	<i>Status of Customer Outcomes Theme Milestones</i>	68
8.1.2.	<i>Status of Customer Outcomes Theme Recommendations</i>	70
9.	CULTURE, CAPABILITY AND CONSEQUENCES THEME MILESTONES	72
9.1.	STATUS OF CULTURE, CAPABILITY AND CONSEQUENCES THEME	72
9.1.1.	<i>Status of Culture, Capability and Consequences Theme Milestones</i>	72
9.1.2.	<i>Status of Culture, Capability and Consequences Theme Recommendations</i>	78
9.2.	CULTURE, CAPABILITY AND CONSEQUENCES THEME MILESTONE ASSESSMENT OUTCOMES.....	80
9.2.1.	<i>Assessment of Recommendation 13 Milestone</i>	80
9.2.2.	<i>Assessment of Recommendation 24b Milestone</i>	81
9.2.3.	<i>Assessment of Recommendation 27 Milestone</i>	82
9.2.4.	<i>Assessment of Recommendation 28 Milestone</i>	84
9.2.5.	<i>Assessment of Recommendation 29 Milestone</i>	84
9.3.	CULTURE, CAPABILITY AND CONSEQUENCES THEME RECOMMENDATION ASSESSMENT OUTCOMES.....	85
9.3.1.	<i>Assessment of Recommendation 24a</i>	85
10.	PROGRAM EXECUTION THEME MILESTONES	88
10.1.	STATUS OF PROGRAM EXECUTION THEME	88
10.1.1.	<i>Status of Program Execution Theme Milestones</i>	88
10.1.2.	<i>Status of Program Execution Theme Recommendations</i>	91
10.2.	PROGRAM EXECUTION THEME MILESTONE ASSESSMENT OUTCOMES.....	92
10.2.1.	<i>Assessment of Recommendation 11 Milestone</i>	92
10.2.2.	<i>Assessment of Recommendation 35 Milestone</i>	94

Definitions

3LoA	Three Lines of Accountability
AHL	Aussie Home Loans
APRA	Australian Prudential Regulation Authority
BAC	Board Audit Committee
BAU	Business-as-usual
BEAR	Banking Executive Accountability Regime
BRCC	Board Risk and Compliance Committee
BU/SUs	Business Units and Support Units
CAP	Control Assessment Program
CBA	Commonwealth Bank of Australia
CCO	Chief Controls Officer
Central RAP Team	The central team that manages the Program
CEO	Chief Executive Officer
CIP	Change Investment Process
CRO	Chief Risk Officer
EGM	Executive General Manager
Eighth Report	Promontory's eighth report dated 31 July 2020
ELT	Executive Leadership Team
EU	Enforceable Undertaking
Fifth Report	Promontory's fifth report dated 31 October 2019
First Report	Promontory's first report dated 28 September 2018
Fourth Report	Promontory's fourth report dated 31 July 2019
GA&A	Group Audit and Assurance
GDF	Group Delivery Framework
GE	Group Executive
Inquiry	The 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
<i>Inquiry Report</i>	<i>The Prudential Inquiry into the Commonwealth Bank of Australia (CBA) Final Report</i>
KPI	Key Performance Indicator

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

Eighth Report

July 2020

NFR	Non-Financial Risk
NFRC	Non-Financial Risk Committee
OR&C	Operational Risk and Compliance
Pandemic	COVID-19 Pandemic
PRC	People and Remuneration Committee
Previous Reports	Promontory's previous reports dated 28 September 2018, 20 December 2018, 30 April 2019, 31 July 2019, 31 October 2019, 31 January 2020 and 30 April 2020
Prioritised Risk Types	Financial Crimes Compliance, Privacy and Data Management risk types
Program	Program of work to execute the RAP
Promontory	Promontory Australia, a division of IBM
RAP	Remedial Action Plan
RAS	Risk Appetite Statement
RCSA	Risk and Controls Self-Assessment
Reporting Date	30 June 2020
Reporting Period	1 April 2020 to 30 June 2020
Second Foundational Review	A further Foundational Review to follow the review conducted in the second half of 2019
Second Report	Promontory's second report dated 20 December 2018
Seventh Report	Promontory's seventh report dated 30 April 2020
Sixth Report	Promontory's sixth report dated 31 January 2020
STVR	Short-Term Variable Remuneration
Sustainability Plan	Plan to ensure that the Target State of a Recommendation will be maintained on an ongoing basis
Theme	A shared theme of a series of Recommendations
Third Report	Promontory's third report dated 30 April 2019

Executive Summary

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

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

Overall Observations

The Reporting Period included the second anniversary of the RAP. This anniversary was significant in that it marked a pivotal point in the Program as it transitioned from the Design and Implement phases to the Embed and Recommendation Closure phases. In light of this transition, it is appropriate in this Report to reflect more broadly on what has been achieved, as well as what lies ahead.

Since signing the EU, CBA has made strong progress in executing the RAP. As detailed below, at the Reporting Date, approximately two-thirds of the total number of Milestones had been closed. All of the 57 Design Milestones² had been closed. Roughly 70 per cent of the Implement Milestones had been closed. The first two Recommendations³ had been closed.

These achievements are commendable. However, evaluating the Program's progress against Recommendations and Milestones provides only a limited perspective on the changes that have taken place within CBA as a result of the RAP. While there is much still to be achieved, we have perceived a material change in the attitudes and culture within CBA over the two years since the start of the Program.

In many respects CBA is almost unrecognisable as the institution described in the *Prudential Inquiry into the Commonwealth Bank of Australia (CBA) Final Report* (the **Inquiry Report**). In particular, there is now clear and committed leadership from the top in managing Non-Financial Risk (**NFR**). Accountabilities have been sharpened. The 'voices' of risk and compliance have been elevated, and are being heard. There has been considerable improvement in the ownership and understanding of NFR by Business Units and Support Units (**BUI/SUs**). There is a much clearer and stronger focus on ensuring good customer outcomes and the 'should

¹ Promontory's First, Second, Third, Fourth, Fifth and Sixth Reports are available [here](#), [here](#), [here](#), [here](#), [here](#) and [here](#) respectively. As at the Reporting Date, our Seventh Report had not yet been publicly released. CBA plans to publish the Seventh Report, along with this Report, in August 2020.

² Design Milestones define a Group-wide approach to address each Recommendation. Implement Milestones generally relate to the rollout or launch of that approach. Embed Milestones are when the operational effectiveness of the approach is demonstrated on a sustainable basis.

³ While the *Inquiry Report* made 35 recommendations (**Inquiry Recommendations**), the RAP splits some of these into multiple parts, resulting in 45 Recommendations in total. One part of Inquiry Recommendation 24 was closed during the Reporting Period (Recommendation 24a). While we consider Recommendation 24a closed, Inquiry Recommendation 24 will only be considered to be closed once a Closure Pack for each part of the Inquiry Recommendation has been received and assessed as closed.

we' question has become an integral part of the Group's everyday conversations. Challenge is not only a consistent feature of meetings and forums, it is welcomed.

While the Group has come a long way in two years, the greatest hurdles still lie ahead. Some of the remaining Milestones are the most difficult, and will require considerable focus and attention if they are to be closed. Consistency in the maturity of NFR management across BU/SUs remains a concern, as does the quality of data supporting NFR metrics and reporting. However, the greatest overall challenge for the Program as it moves into its final phases, will be ensuring that the hard-won changes in CBA's culture and NFR management are not only embedded, but that they are sustained.

Further detail on the Program's progress and challenges is provided below.

Program Progress

The Program remained on-track at the Reporting Date, with all 176 Milestones and 45 Recommendation Closures⁴ either delivered to Promontory or on schedule to be delivered by the due dates set out in the RAP⁵.

The Design phase of the Program has been completed. By the Reporting Date:

- CBA had submitted Milestone Closure Packs to Promontory evidencing completion of work on all 57 Design Milestones.
- Based on a review of Closure Packs, other documents and interviews with key stakeholders, Promontory had assessed all 57 Design Milestones as complete and effective (three of which were assessed during the Reporting Period).

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

- CBA had started or completed work on all 69 Implement Milestones.
- CBA had submitted Milestone Closure Packs to Promontory evidencing completion of work on 62 Implement Milestones (10 of which were received during the Reporting Period).
- Based on a review of Closure Packs, other documents and interviews with key stakeholders, Promontory had assessed a total of 49 Implement Milestones as complete and effective⁶ (seven of which were assessed during the Reporting Period).
- We had not completed our assessment of 12 Implement Milestones (five of which were delivered at the end of the Reporting Period).

⁴ One Milestone was removed and an additional two Milestones were added to the RAP during the Reporting Period. Further information on these changes is set out in section 1.2.

⁵ Milestones and Recommendation Closures are considered not to be on-track where either the Closure Pack has not been delivered to us by the due date for that Milestone or Recommendation Closure as set out in the RAP, or, in relation to Milestones or Recommendation Closures where Closure Packs are due for delivery within the next quarter, the Program at the Reporting Date has identified issues which require escalation and intervention by management to progress back to schedule.

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

The Program's focus is now firmly on the Embed Milestones. By the Reporting Date:

- CBA had started or completed work on 49 (of 50) Embed Milestones.
- CBA had submitted Milestone Closure Packs to Promontory evidencing completion of work on 20 Embed Milestones (nine of which were received during the Reporting Period).
- Based on a review of Closure Packs, other documents and interviews with key stakeholders, Promontory had assessed nine Embed Milestones as complete and effective (two of which were assessed during the Reporting Period).
- We had not completed our assessment of 11 Embed Milestones (six of which were delivered at the end of the Reporting Period).

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

Program progress by Theme is set out in Table 1.

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

Theme	Work Not Started	Work in Progress	Closure Pack Submitted to Promontory		Milestones Closed	Total
			Assessment Not Started	Assessment Underway		
Board Governance	0	3	0	1	16	20
Management Governance	0	0	0	2	17	19
Operating Model (3LoA)	1	1	0	1	8	11
Risk Appetite, Taxonomy and Standards	0	5	3	0	12	20
Accountability and Controls Delivery	0	3	2	0	8	13
Customer Outcomes	0	3	3	0	10	16
Culture, Capability and Consequences	0	11	3	7	29	50
Program Execution	0	10	0	1	16	27
TOTAL	1	36	11	12	116	176

The Program is increasingly focused on Recommendation Closures. By the Reporting Date:

- CBA had started or completed work on all 45 Recommendation Closures.
- CBA had submitted Closure Packs in relation to seven Recommendations to Promontory (four of which were received during the Reporting Period).

- Based on a review of Closure Packs, other documents and interviews with key stakeholders, Promontory had assessed two Recommendations as closed (both of which were assessed during the Reporting Period).
- We had not completed our assessment of Closure Packs in relation to five Recommendations (four of which were received at the end of the Reporting Period).

Risks and Challenges

The Program made good progress during the Reporting Period in addressing many of the challenges highlighted in our Previous Reports. During the Reporting Period:

- initial steps were taken to manage the resourcing constraints which have been consistently flagged as a key delivery risk in status reports;
- some progress was made in addressing the consistency issues that have been identified in the implementation of the RAP within certain parts of the Group; and
- there was further refinement of the mechanisms within the Sustainability Plans to ensure that Target States are maintained after the Program ends.

During the Reporting Period, the Program also successfully managed the initial impact of the COVID-19 Pandemic (the **Pandemic**) on the Program. The emergence of the Pandemic put pressure on the Program to adapt, which it did, in part through the finalisation of the outcomes of the Second Foundational Review early in the Reporting Period.

The changes made to the RAP as a result of the Second Foundational Review were aimed at focusing the Group's attention on 'what matters most', while ensuring that the Program continues to address both the spirit and substance of the recommendations set out in the *Inquiry Report*. The Second Foundational Review also resulted in a more aggressive timetable for delivering many of the remaining components of the RAP.

We expect the Program will face new challenges in the periods ahead as it transitions fully from the Design and Implement phases to the Embed and Recommendation Closure phases.

We expect these new phases to generate periods of peak activity over the coming Reporting Periods. While this would be challenging even during normal times, the Pandemic will likely make it even more difficult. The Program will need to reflect on how the nature of change fatigue may be shifting in light of the Pandemic and consequent changes to ways of working. Ongoing work will also be needed to monitor, understand and address the nature and extent of the changing impact of the Pandemic on the resourcing requirements of the Program as it enters its most demanding phases. It will be crucial that the Program remains cognisant of the challenges presented by capability requirements, even when capacity needs are met.

The Embed and Recommendation Closure phases will also put increased focus on the need for quality, consistency of delivery, and sustainability.

The acceleration of the delivery timetable as a result of the Second Foundational Review has created a tension between the quality and timeliness of delivery which will need to be monitored and managed. The Program will need to consider the various facets of quality to ensure it is successful in addressing the issues that were highlighted by the Prudential Inquiry.

Achieving consistency in the implementation of new NFR management processes across BU/SUs remains a key challenge to effective embedding of the RAP. BU/SUs, in particular, must continue to prioritise quality over timeliness.

And, as noted above, ensuring that RAP outcomes are sustained after the Program ends is the ultimate challenge. As the Program continues to refine its approach to sustainability it will be important to continue to think about how each mechanism and process in the Sustainability Plan for any given Recommendation links back to the relevant Target State.

In the periods ahead, it is vital that the Program follows through on the emphasis that has been placed on quality, consistency of delivery and sustainability.

In addressing these challenges it will be important for the Program to continually come back to the RAP narrative as a means of combating change fatigue by re-sharing key messages across all levels of the organisation in order to remind staff of what they have achieved, and of what they are still to achieve.

1. Introduction

1.1. Background

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

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

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

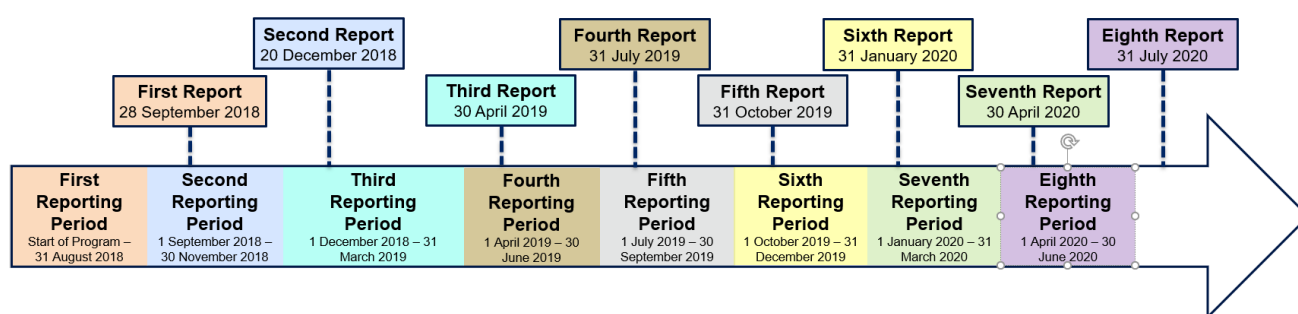
CBA engaged Promontory as the Independent Reviewer to monitor CBA's execution of the RAP and to assess the effectiveness of the actions taken to address the *Inquiry Report* Recommendations as required under the EU. APRA confirmed the appointment on 29 June 2018.

As Independent Reviewer, Promontory is required to report to APRA on a quarterly basis on the status of compliance with the EU and the Milestones⁷ in the RAP that CBA considers are nearing completion. Our Reports have described these matters as at the last day of the month before the Report is due to be delivered.

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

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

Figure 1.1: Timeline of Report Delivery and Reporting Periods⁸



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

⁷ Milestones are the actions CBA intends to take to address the Inquiry's Recommendations.

⁸ The Reporting Period for the Third Report was one month longer than for other Reports. This change was made to align the Reporting Date with the end of each calendar quarter, when a significant number of Milestones are generally due.

1.2. The Remedial Action Plan

As described in Chapter 2 of the First Report, the RAP organises the *Inquiry Report's* 35 Recommendations into the following eight themes (**Themes**):

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

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

CBA is delivering the RAP through a program of work (**the Program**) comprising nine work streams. The work streams correspond to the eight Themes noted above and include an additional work stream (Enabling Systems, Data and Reporting) with responsibility for managing and overseeing technology, analytics and data support across each of the Themes⁹. The Program is managed by a central team (the **Central RAP Team**) supported by a network of Execution Leads, BU/SU Chief Controls Officers (**CCOs**) and other staff across CBA.

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

As initially designed, the RAP contemplated 154 Milestones. Two additional Milestones were added during the Third Reporting Period, 17 were added during the Sixth Reporting Period and two were added during the Seventh Reporting Period.

Two Milestones were added and one was removed during this Reporting Period as a result of the Second Foundational Review¹⁰. There are now 176 Milestones. The due date for a number of Milestones and Recommendations were also moved during the Reporting Period as a result of the Second Foundational Review.

During this Reporting Period, a number of additional changes were made to the RAP. In particular, changes were made to the Closure Date of one Recommendation and to other aspects of two Milestones (including the

⁹ No Milestones have been assigned to this work stream.

¹⁰ Milestones 22.3a and 24b.2b were added, and Milestone 12e.4a was removed during the Reporting Period. The details of these changes are set out in Chapters 9 and 7, respectively.

wording of the Milestone Description and Closure Criteria, and the Execution Lead). Promontory endorsed each of the changes.

Further information on these changes is set out in section 2.1.

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

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

Reporting Date	Number of Milestones Scheduled to Be Delivered								Total
	Board Governance	Management Governance	Operating Model (3LoA)	Risk Appetite, Taxonomy & Standards	Accountability and Controls Delivery	Customer Outcomes	Culture, Capability & Consequences	Program Execution	
August 2018	0	0	0	2	0	1	2	0	5
November 2018	2	5	1	2	0	1	3	3	17
March 2019	9	7	3	4	4	4	10	6	47
June 2019	1	1	0	2	0	1	1	0	6
September 2019	1	1	0	0	0	0	4	2	8
December 2019	3	2	4	2	3	3	5	2	24
March 2020	0	3	1	0	1	0	5	3	13
June 2020	1	0	0	3	2	3	9	1	19
September 2020	2	0	0	3	1	1	5	6	18
December 2020	1	0	2	0	1	1	6	3	14
March 2021	0	0	0	2	1	1	0	1	5
TOTAL	20	19	11	20	13	16	50	27	176

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

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

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

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

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

1.3. Promontory's Independent Reviewer Activities

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

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

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

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

- three monthly meetings of the RAP Governance Forum;
- three monthly meetings of the BU/SU Delivery Governance Forum; and
- three monthly meetings of the Planning and Dependencies Management Forum.

We also attended, as observers, meetings of the Non-Financial Risk Committee (**NFRCS**) of the Institutional Banking & Markets, Enterprise Services, Business Bank¹¹, Risk Management, and Marketing & Corporate Affairs BU/SUs. We also met with the BU/SU Chief Risk Officers (**CROs**) of Financial Services and Human Resources. We attended these meetings with a view to understanding the progress being made in implementing and embedding the outcomes of the RAP in each BU and SU.

We participated in the following briefings and updates:

- Several meetings in relation to reviewing the outcomes of and finalising the Second Foundational Review.
- A reflections session, with members of the Central RAP Team, BU/SU CCOs and CROs, and Execution Leads, to reflect on the content of our Seventh Report. This was the sixth such session in which we have participated.
- A workshop on sustainability in which we discussed sustainability in the context of Recommendation Closure with the Central RAP Team.
- Three meetings with Group Audit and Assurance (**GA&A**), in which their observations on Program management and their audits of Program outcomes were discussed.
- One meeting with the RAP CRO to discuss changes to the operating model for the Program's Line 2 function.
- Three meetings with the Group CCO to discuss the implementation of the RAP in the BU/SUs and the role played by the BU/SU CCOs.
- Briefings on the Drop Process and Program-related communications.

As noted in our Seventh Report, our participation in these meetings has generally remained remote as a result of the changes in work practices necessitated by the Pandemic.

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

During the Reporting Period, we continued to assess whether Milestones had been completed in line with the Closure Criteria and whether activity to close each Milestone provided a sound basis for achieving the Target State for the Recommendation to which the Milestone relates. The assessments continued to involve reviews

¹¹ Formally Business and Private Bank.

of the Closure Packs and reviews of additional evidence, interviews and phone calls with staff engaged in Milestone delivery and on-site reviews of confidential documents.

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

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

Of the 12 Milestones closed during the Reporting Period, in 7 cases, our assessment that a Milestone was complete and effective was made on the understanding that aspects of the assessment would be reviewed at the Embed or Recommendation Closure phases associated with the Recommendation.

Through the Program we have taken an average of around 12 weeks to assess a Milestone as complete and effective after a Closure Pack is delivered. The quickest assessments took just over one week (for Milestone 14.2 and Milestone 35.1a). The longest assessment (which was delayed due to the need to consider evidence that became available around the time that the final Embed Milestone for that Recommendation was delivered) took just under 54 weeks (for Milestone 12a.6, which was finalised during this Reporting Period and is described further in section 6.2.1).

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

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

Table 1.3: Reporting Scale

Indicator	Description of Progress
	Work to deliver Milestone or Recommendation has not commenced
	Work to deliver Milestone or Recommendation has commenced but has not yet been completed
	Work to deliver Milestone or Recommendation has been completed by CBA but Promontory's assessment has not yet commenced
	Promontory's assessment of the Milestone or Recommendation has commenced but has not yet been completed
	Milestone has been assessed by Promontory as complete and effective or Recommendation has been assessed as closed
	Milestone has been closed but not assessed by Promontory as complete and effective

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

1.4. Report Structure

The remainder of this Report is structured as follows:

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

2. Program Developments

The Reporting Period included the second anniversary of the RAP. This anniversary was significant in that it marked a pivotal point in the Program as it transitioned from the Design and Implement phases to the Embed and Recommendation Closure phases. In light of this transition, it is appropriate in this Report to reflect more broadly on what has been achieved, as well as what lies ahead.

Since signing the EU, CBA has made strong progress in executing the RAP. As detailed below, at the Reporting Date, approximately two-thirds of the total number of Milestones had been closed. All of the 57 Design Milestones had been closed. Roughly 70 per cent of the Implement Milestones had been closed. The first two Recommendations had been closed.

These achievements are commendable. However, evaluating the Program's progress against Recommendations and Milestones provides only a limited perspective on the changes that have taken place within CBA as a result of the RAP. While there is much still to be achieved, we have perceived a material change in the attitudes and culture within CBA over the two years since the start of the Program.

In many respects CBA is almost unrecognisable as the institution described in the *Inquiry Report*. In particular, there is now clear and committed leadership from the top in managing NFR. Accountabilities have been sharpened. The 'voices' of risk and compliance have been elevated, and are being heard. There has been considerable improvement in the ownership and understanding of NFR by BU/SUs. There is a much clearer and stronger focus on ensuring good customer outcomes and the 'should we' question has become an integral part of the Group's everyday conversations. Challenge is not only a consistent feature of meetings and forums, it is welcomed.

While the Group has come a long way in two years, the greatest hurdles still lie ahead. Some of the remaining Milestones are the most difficult, and will require considerable focus and attention if they are to be closed. Consistency in the maturity of NFR management across BU/SUs remains a concern, as does the quality of data supporting NFR metrics and reporting. However, the greatest overall challenge for the Program as it moves into its final phases, will be ensuring that the hard-won changes in CBA's culture and NFR management are not only embedded, but that they are sustained.

In addition to the challenges posed by the execution of the Program, the Reporting Period was complicated greatly by the impact of the Pandemic. The emergence of the Pandemic put pressure on the Program to adapt, which it did, in part through the finalisation of the outcomes of the Second Foundational Review.

The changes made to the RAP as a result of the Second Foundational Review were aimed at focusing the Group's attention on 'what matters most', while ensuring that the Program continues to address both the spirit and substance of the Recommendations set out in the *Inquiry Report*.

These issues are taken up further below.

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

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

2.1. Program Progress

The Program remains on-track for Milestones to be completed by the due dates set out in the RAP.

During the Reporting Period, the Program submitted Closure Packs for 19 Milestones:

- The Closure Packs for four Milestones (an Implement Milestone and three Embed Milestones) were submitted in late April 2020.
- The Closure Packs for four Implement Milestones were submitted in late May 2020.
- The Closure Packs for 11 Milestones (five Implement Milestones and six Embed Milestones) were submitted in late June 2020.

Closure Packs for all Milestones were submitted before relevant due dates set out in the RAP.

At the Reporting Date:

- The Program was working on seven Implement Milestones and 29 Embed Milestones.
- Work had yet to start on one Embed Milestone.

During the Reporting Period, Promontory assessed 12 Milestones (three Design Milestones, seven Implement Milestones and two Embed Milestones) as complete and effective. The Closure Packs for these Milestones were submitted in the Fourth, Sixth, Seventh and Eighth Reporting Periods.

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

- five were Culture, Capability and Consequences Theme Milestones (Milestones 13.1b, 24b.2, 27.2a, 28.2a and 29.2a)¹²;
- two were Program Execution Theme Milestones (Milestones 11.3 and 35.1b)¹³;
- two were Risk Appetite, Taxonomy and Standards Theme Milestones (Milestones 12a.6 and 12c.2)¹⁴;
- one was a Management Governance Theme Milestone (Milestone 19.3)¹⁵;
- one was an Operating Model (3LoA) Theme Milestone (Milestone 9.3)¹⁶; and
- one was an Accountability and Controls Delivery Theme Milestone (Milestone 12e.3b)¹⁷.

¹² See discussion in section 9.2 below.

¹³ See discussion in section 10.2 below.

¹⁴ See discussion in section 6.2 below.

¹⁵ See discussion in section 4.2 below.

¹⁶ See discussion in section 5.2 below.

¹⁷ See discussion in section 7.2 below.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, 115 Milestones (57 Design Milestones, 49 Implement Milestones and nine Embed Milestones) had been assessed and closed as complete and effective. One Implement Milestone had been closed, but not assessed as complete and effective (see section 1.3 of our Fifth Report for further details).

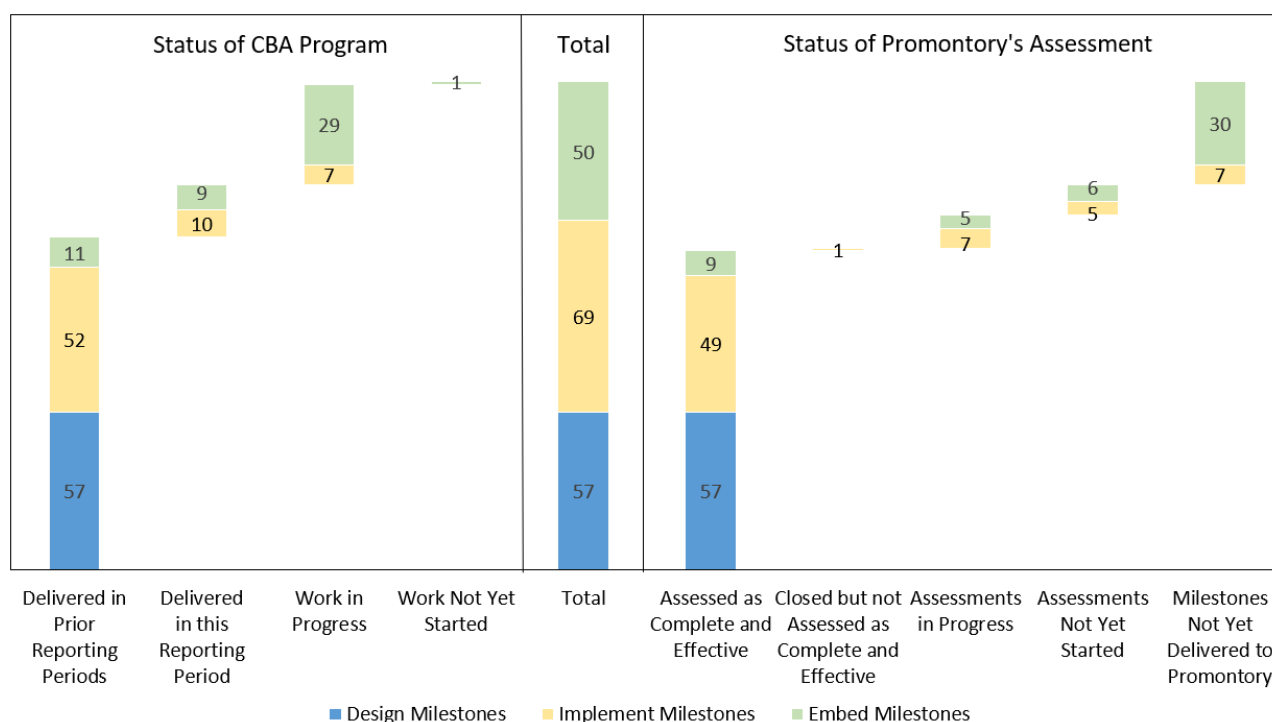
Each of the Milestones assessed as complete and effective provides, in our view, a sound basis for achieving the Target State for the Recommendation to which it relates. Together, these Milestones are well positioned to provide a sound basis for achieving the Program's overall objectives.

In some Milestones, certain design features, approaches to implementation and sustainability measures were, however, not fully mature at the time of assessment. We have, therefore, foreshadowed in relation to a total of 81 Milestones (seven of which were closed during the Reporting Period) our intention to focus on particular design features, approaches to implementation or sustainability mechanisms when assessing related Milestones or Recommendation Closures.

At the Reporting Date, Promontory was assessing 12 Milestones (seven Implement Milestones and five Embed Milestones). We had not yet begun assessing the 11 Milestones (five Implement Milestones and six Embed Milestones) delivered to us in late June.

The information above is summarised in Figure 2.1.

Figure 2.1: Milestone Status



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

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

The Program submitted Closure Packs for four Recommendations in June. Closure Packs for all Recommendations were submitted before the relevant due dates set out in the RAP.

At the Reporting Date:

- The Program had completed work on seven Recommendations.
- The Program was working on 38 other Recommendation Closure Packs.

During the Reporting Period, Promontory assessed two Recommendations¹⁸ as closed. The Closure Packs for these Recommendations were submitted in the Seventh Reporting Period.

As noted above, this is the first Reporting Period in which we have assessed a Recommendation as closed. Our approach to assessing Recommendations is set out in section 3.2.1.

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

- one was a Board Governance Theme Recommendation (Recommendation 1)¹⁹; and
- one was a Culture, Capability and Consequences Theme Recommendation (Recommendation 24a)²⁰.

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

As foreshadowed in our Seventh Report and noted above, during the Reporting Period, CBA made extensive changes to the RAP following the Second Foundational Review. Changes related to the Second Foundational Review resulted in two new Milestones²¹ being added, one Milestone²² being removed, the due dates of 16 Milestones²³ and 23 Recommendations²⁴ being brought forward, and the due dates of five Milestones²⁵ and one Recommendation²⁶ being moved back. Key changes to the RAP as a result of the Second Foundational Review are described further in section 2.2.3.

During the Reporting Period, we endorsed three other requests to change aspects of the RAP²⁷. The requests related to clarifying the identity of the Execution Lead, the due date or the Closure Criteria²⁸. These changes resulted in a change in the due date for one Recommendation²⁹.

¹⁸ One of these Recommendations was 24a, which is part of Recommendation 24 from the Inquiry Report.

¹⁹ See discussion in section 3.2 below.

²⁰ See discussion in section 9.3 below.

²¹ Milestones 22.3a and 24b.2b.

²² Milestone 12e.4a.

²³ Milestones 2.4, 3.5, 11.4, 12c.3, 13.3, 20.3, 21.2, 21.3, 24b.3, 27.3, 28.3, 29.3, 30.3, 33a.3, 34.3 and 35.3.

²⁴ Recommendations 2, 3, 5, 11, 12b, 12c, 13, 20, 21, 22, 23, 24b, 24c, 26, 27, 28, 29, 30, 31, 32, 33a, 33b and 34.

²⁵ Milestones 17.3, 18.3, 22.3b (previously 22.3), 26.4 and 33b.3.

²⁶ Recommendation 17.

²⁷ RAP Change Requests are part of the formal RAP changes process set out in our First and Second Reports.

²⁸ The Changes Requests we received were made in relation to Milestones 22.3a and 24b.2b, and Recommendation 8.

²⁹ Recommendation 8.

2.2. Key Program Developments

During the Reporting Period:

- The outcomes of the Second Foundational Review were finalised. The changes made to the RAP as a result of the review were aimed at focusing the Group's attention on 'what matters most', while ensuring that the Program continues to address both the spirit and substance of the Recommendations set out in the *Inquiry Report*.
- Mechanisms within the Sustainability Plans continued to be refined to ensure that Target States are maintained after the Program ends.
- While inconsistent Program implementation across BU/SUs continues to pose a significant risk to the Program, good progress was made in addressing the consistency issues that have been identified in particular parts of the Group.
- Steps were taken to manage the resourcing constraints which were flagged as a key delivery risk in status reports throughout the Reporting Period. Resourcing challenges remain a significant concern for the Program in light of the Group's response to the Pandemic.
- Program forums increased scrutiny of technology challenges and poor data quality, which emerged as a material risk to the Program.

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

2.2.1. Board and Executive Leadership Oversight

Both the Board and Executive Leadership Team (**ELT**) continued to be actively engaged in overseeing and contributing to the Program.

The Board received two updates on the Program during the Reporting Period. These updates included information on the status of the Program, our Seventh Report, and the outcomes of the Second Foundational Review.

During the Reporting Period, Executive Leaders also continued to endorse monthly updates on progress in delivering the RAP and Program status.

In their roles as Banking Executive Accountability Regime (**BEAR**) Accountable Executives, Members of the Board signed off on the Closure Packs for certain Milestones and Recommendations during the Reporting Period, including the Milestone 4.4 Closure Pack, and the Recommendation 4 Closure Pack.

Executive Leaders also displayed a genuine and active commitment to implementing the Program, and to ensuring the changes made continue once the Program ends. This commitment was demonstrated through the ELT's involvement in the delivery of the Second Foundational Review, the outcomes of which the ELT reviewed early in the Reporting Period (discussed further in section 2.2.3).

Executive Leaders also continued to make progress against the actions that have been allocated to them under the Action Plan developed in response to the challenges highlighted in our Previous Reports. For example, during the Reporting Period, Executive Leaders prioritised the Program by ensuring resources were made

available to deliver the RAP in their BU/SUs, and that resources were not unduly redirected to competing priorities such as the Group's response to the Pandemic.

During the Reporting Period, members of the ELT also issued communications across the Group that reinforced the importance of the Program. The Group Chief Executive Officer (**CEO**) participated in the 'Reflections' series of podcasts, as well as referencing the progress of the Program in his regular updates to staff. Further communications were also issued by other members of the ELT, including through notes from Executive Leaders and forums.

We note that the ELT has demonstrated ongoing commitment to the continued rollout of the Program despite the increased demand on resources for non-RAP-related activities as a result of the Pandemic. For example, members of the ELT were involved in determining the scope of Drop 9, before approving it at the June ELT meeting (see section 2.2.4 for further details).

We also note the development of the 'Customer Connection Experience' program, which aims to create connections between senior leaders and customers by placing senior leaders temporarily in one of the frontline areas of the Group. The program was developed to provide first-hand experience and deepen senior leaders' understanding of customer needs throughout the business. This initiative was not required by the RAP, but demonstrates a commitment to high-quality and sustainable outcomes.

The Pandemic has created a uniquely challenging situation for the Board and Executive Leaders, both in responding to the immediate needs of affected customers and in planning how to adapt those responses as the Pandemic progresses. In order to maintain sufficient challenge of and focus on the Program, Executive Leaders have:

- presented, through communication of the RAP narrative to staff, a vision of how CBA has changed and what has yet to be done;
- supported CCOs in delivering the RAP;
- considered and endorsed resourcing forecasts to deliver the remainder of the RAP scope into BU/SUs; and
- monitored staff wellbeing and begun to develop plans to address any issues identified, including change fatigue.

2.2.2. Program Governance

The RAP Governance Forum, BU/SU Delivery Governance Forum, and Planning and Dependencies Management Forum, continued to operate effectively during the Reporting Period.

While logistical challenges associated with working remotely affected the operation of some Program-related forums early in the Reporting Period, these challenges were quickly and successfully addressed.

The RAP Governance Forum continued to effectively monitor Program progress. Papers for the Forum continued to examine delivery risks faced by the Program through both a Theme and a BU/SU lens. The Forum plays a critical role in discussing Theme-level progress at the BU/SU level, and the impact of inconsistent progress on overall Program status. We are confident that this Forum will continue to identify risks to BU/SU delivery and ensure they are addressed with the same speed and agility that it has demonstrated in identifying and addressing past delivery risks.

Changes to the RAP Governance Forum agendas late in the Reporting Period brought a greater focus to key areas. Greater emphasis was placed on certain agenda items, including updates on the Enabling Systems, Data and Reporting work stream, and Three Lines of Accountability (**3LoA**); the Line 2 update was removed and incorporated into each agenda item where appropriate. We were pleased to see the Forum focus on the impact of the Pandemic and the Second Foundational Review. We regard it as appropriate for the focus of this Forum to continue to adapt to changing circumstances.

The BU/SU Delivery Governance Forum continued to act as an effective forum for promoting consistency between BU/SUs in implementing and embedding the RAP.

As we have noted in our Previous Reports, one of the critical functions of the BU/SU Delivery Governance Forum is to provide a venue for sharing BU/SU experiences in implementing the RAP. During the Reporting Period, discussions led by individual CCOs continued to focus on learnings and risks associated with implementing and embedding the RAP in their BU/SUs. We expect this Forum to continue as the primary point of contact for BU/SUs to come together to discuss consistent and sustainable execution of the RAP.

The effectiveness of the Forum relies on the attendance and contribution of the BU/SU CCOs. While attendance improved during the Reporting Period, it is vital that all CCOs continue to make every effort to attend each of these meetings.

The Planning and Dependencies Management Forum was critical for discussing the changes to be made through the Second Foundational Review. It also acted during the Reporting Period as a forum for discussing the operationalisation of Sustainability Plans, and ensuring consistency across Themes in this regard. Any future issues with the consistent operationalisation of Sustainability Plans should be dealt with through this Forum.

The Program continued the practice of reflecting on what is working well and what could be improved in relation to the operation of Governance forums at the end of each meeting.

We also note that the Central RAP Team has been effective in co-ordinating these forums and helping to maintain the focus on key issues and themes. This guidance will play an increasingly important role as the Program progresses further into the Embed and Recommendation Closure phases.

2.2.3. Program Design

Program design evolved significantly during the Reporting Period as a result of the finalisation of the Second Foundational Review.

Second Foundational Review

The Second Foundational Review, discussed at length in our Seventh Report, was finalised and the outcomes shared with us during the Reporting Period. As discussed in our Previous Report, the Second Foundational Review, which was initially focused on sustainability, was refocused as a result of the need to redirect Program and risk resources to managing the Group's response to the Pandemic.

The Review brought about two main changes to the Program:

- First, in view of the need to divert resources to meeting customer needs in a time of crisis, the decision was taken to use the RAP to roll out key policies, standards and procedures, such as Obligations Management and the Control Assessment Program (**CAP**), while moving the remaining Group-wide minimum standards from the RAP to business-as-usual (**BAU**) mechanisms; and

- Second, the decision was taken to accelerate the timetable for delivery of many Milestones and Recommendations. While somewhat counterintuitive on the surface, the acceleration was motivated by the perceived need to bed down as much of the Program as possible before the second round of demands that will inevitably follow in the aftermath of the Pandemic.

Promontory accepted the outcomes of the Second Foundational Review as a necessary response to ensuring that the spirit and substance of the Inquiry Recommendations are achieved in the rapidly changing environment. These changes have nevertheless introduced new risks and challenges that are considered further in section 2.4.

We note that the Group has worked hard to ensure that the outcomes of the Second Foundational Review do not compromise the Program's integrity. The Review focused the Group's attention on its understanding of 'what matters most'. As a result of the Review, the Group is focusing on the following five key areas:

- uplifting the control environment to ensure that the correct controls are in place for key risks across the business;
- as noted above, rolling out key policies, standards and procedures;
- adhering to the 3LoA Principles by ensuring that the correct people are accountable and are managing their risks;
- uplifting Line 2 Risk Assurance through the delivery of assurance activities; and
- strengthening the approach to Conduct Risk.

The Second Foundational Review process was extensive, with consequent changes across much of the RAP. In addition to changes to the Closure Dates for many Milestones, there were also changes to some Milestone Descriptions and Closure Criteria. The Review also saw the creation of two new Milestones, the removal of one Milestone and, in several cases where Sustainability Plans have already been operationalised, the consolidation of the delivery date for Embed Milestones and Recommendation Closures (as discussed in section 2.1).

As noted above, certain Group-wide minimum standards were removed from the RAP. These include the Conflicts Management Outside Business Interests Procedure, License Management Policy Suite, Anti-Money Laundering Policy, Operational Risk Incident Management Standards and Procedure, Compliance Management Framework Policy Wrapper, Operational Risk Management Framework Policy Wrapper, 5x5³⁰ Standard, Key Risk Indicator Standard, and Product Development and Distribution Policy. Future culture interventions were also removed from the Program.

In a number of cases, the removal of initiatives from the RAP was justified by their coverage under existing non-RAP remediation programs. The FCC (Anti-Money Laundering) Policy suite, which was one of the Group-wide minimum standards moved from the RAP to BAU, is just one example of this. In other cases, the move was justified by the existence of well-established BAU implementation processes. In all cases it was agreed that the Drop Process, which has been central to the effective implementation of the RAP, will remain as the central implementation mechanism.

³⁰ 5x5 refers to the Risk Assessment Matrix used by CBA.

The changes that have been made as a result of the Second Foundational Review are vital to maintaining the Program's ability to deliver an improved NFR management framework in light of the Group's response to the Pandemic.

2.2.4. Program Delivery

During the Reporting Period:

- The Program successfully balanced the timeliness and quality of RAP implementation through the Drop Process.
- The Group and BU/SU CCOs continued to monitor the consistency with which the RAP is being implemented across the Group.
- Inconsistent Program implementation emerged as a risk to the Program's continued success.

Drop Process

The Drop Process remains central to successfully delivering Program outcomes across the Group.

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

- Evidence was collected in relation to Drop 7 activities conducted in the previous Reporting Period. The focus of Drop 7 is described as 'Baselining key risks, strengthening policies and procedures and driving adherence to 3LoA principles'. Drop 7 activities included the continued realignment of Operational Risk and Compliance (**OR&C**) activities, and Financial Crimes Compliance and Conduct Risk baselining.
- Drop 8 was implemented. The focus of Drop 8 is described as 'Embedding our Risk Accountabilities'. The activities completed under Drop 8 included the roll out of the Obligations Management Standard, commencing the CAP Standard Test and Learn, implementation of actions to embed the 3LoA model in BU/SUs and progressing implementation of version 6 of the Group Delivery Framework (**GDF**). Drop 8 also included activities associated with other Critical Risk Priorities.
- Preparation was underway for Drop 9, to be launched in the next Reporting Period. The theme for Drop 9 is described as 'Enabling better management of product obligations and privacy'. Late in the Reporting Period, the ELT endorsed the scope of Drop 9. Drop 9 will include improving Risk and Controls Self-Assessment (**RCSA**) activities for Privacy, the roll out of a number of policies, standards and procedures, and the annual OR&C capability assessment.
- Early thinking was undertaken about the content of Drop 10 and subsequent Drops. Late in the Reporting Period, the ELT reviewed a provisional scope for Drop 10. At this stage, Drop 10 is expected to include further improving RCSA activities for Conduct Risk, and the roll out of the CAP Standard and Procedure.

As set out in our Seventh Report, changes were successfully made to the scope and timing of Drops 7 and 8 in light of concerns about the Group's ability to resource the consumption of RAP-related activities, given the impact of the Pandemic. In particular, the decision to stage the roll out of Drop 8 provided BU/SUs with the opportunity to complete any outstanding Drop 7 activities and prepare for Drop 8 during April, and to then roll out Drop 8 activities during May and June. It also gave certain BU/SUs sufficient time to finalise measures to improve Financial Crimes Compliance and Conduct Risk baselining before the end of the Reporting Period.

Where necessary, BU/SUs will continue to be given the time required to sustainably implement certain aspects of the RAP that are delivered through the Drop Process. We were pleased to see the Program successfully adapt to changing circumstances, and were reassured by the emphasis given by the Program to the quality of implementation over its timeliness.

In addition to the changes made to Drop 7 and 8 in the previous Reporting Period, several changes were made to the scope of Drop 9 during this Reporting Period. These included moving the Conduct Risk RCSA to Drop 10. The Second Foundational Review also resulted in some Drop items being moved out of the Program and into BAU processes, such as the Product Development and Distribution Policy which was originally scheduled to be delivered as part of Drop 9. These changes were discussed in section 2.2.3.

During the Reporting Period, the scope of Drop 9 was approved by CCOs and the ELT. This approval process allowed the CCOs and ELT to assess and confirm that the design of Drop 9 activities was fit for purpose, pragmatic and able to be implemented with available resourcing. The 'go/no go decision' mechanism is of increased importance in the current environment where competing priorities may arise in relation to the Pandemic.

While the scope of Drop 9 was endorsed, the ELT noted the potential for delays in its implementation due to the effort required to ensure that the changes are effectively delivered into all in-scope businesses and resourcing challenges associated with the Group's response to the Pandemic.

The enhancements made to the Drop Process during this and previous Reporting Periods stand the Program in good stead to deliver on its objectives. For example, during the Reporting Period, the Program further evolved how it engages with CCOs on Drop-related content. Due to the Pandemic, the Drop Showcase for Drop 8, which would normally have occurred at start of the Drop, was replaced with two focus sessions to discuss content while the Drop is in progress. CCOs reported that they found these sessions to be very useful, and, as a result, focus sessions will now be conducted during the implementation of future Drops. During the Reporting Period, the Program also introduced new templates to CCO Working Groups summarising the proposed content of future Drops and identifying who will deliver it.

Other aspects of Drop Process have also continued to evolve. During the Reporting Period, the Program improved its engagement with Risk to ensure that Drop-related communications are coordinated with broader Risk communications. The Program also started to engage more broadly, including with Line of Business Executive General Manager (**EGMs**) on Drop content where necessary. The Pandemic also gave the Program the impetus to introduce new processes and technologies to the Drop process, such as the process now used by BU/SUs for Drop resource forecasting.

The Drop Process has continued to be improved upon in each Reporting Period, and we now consider the Drop Process to be a mature Program mechanism. One of the great strengths of the Drop Process has been the continuous improvement made to ensure that it continues to be effective. We expect the Drop Process will continue to be refined over future Reporting Periods.

Chief Controls Officers

BU/SU CCOs continue to play a pivotal role in successfully delivering the enhanced NFR management framework contemplated by the RAP on a consistent and sustainable basis.

CCOs have matured into their roles as effective leaders, project managers and change agents. During the Reporting Period, BU/SU CCOs generally displayed an appropriate level of 'chronic unease' about the progress being made in achieving the outcomes sought by the Program.

As discussed in Previous Reports, BU/SU CCOs are at the coalface of addressing the risk of change fatigue; that is, the risk that, due to the extent and speed of change being experienced within the Group, staff involved in implementing the Program begin to focus on simply getting changes 'over the line' instead of implementing changes in a consistent and sustainable way. The risk of change fatigue has increased substantially as additional demands have been placed on staff as a result of the Group's response to the Pandemic. Further, staff are being asked to deliver on these priorities in a rapidly changing environment, which can present additional challenges. As we have set out in Previous Reports, the BU/SU CCOs have an important role to play in combating change fatigue.

The Group CCO has a crucial role to play in improving alignment in the implementation of Program outcomes across BU/SUs. This has been reflected in the priorities the Group CCO has set and actions taken to date. For example, in June, the CCO LT, which the Group CCO chairs, discussed consistency across BU/SUs of the data standard for RiskInSite. During the Reporting Period we also observed that the Group CCO continued to emphasise the importance of the Program to BU/SU CCOs.

The Group CCO has also played a key role in improving the efficacy of the 3LoA model through, for example, working to drive consistency across the BU/SU CCO functions. As the Group CCO continues to support the effective implementation of the 3LoA model, and risk accountabilities continue to be embedded within Line 1, it is important that the Group CCO, and CCOs more generally, do not become seen as an offshoot of Line 2.

Frequent and effective interactions between the three Lines are being bolstered by the work of the Group CCO. Over the remaining life of the Program, we expect the Group to continue to nurture these relationships to ensure that the goal of having Group Risk, Group Compliance, CCOs and BU/SU Risk work seamlessly together to address problems is achieved.

Sustainability

Sustainability is the key differentiator between assessing an Embed Milestone as complete and effective and assessing a Recommendation as closed. Whereas the assessment of an Embed Milestone hinges on establishing that the Target State for the underlying Recommendation has been met, closing the Recommendation itself hinges on establishing that the Target State has been sustained and that there are appropriate mechanisms in place to ensure that it continues to be sustained over time.

Sustainability Plans have emerged as the primary vehicle for providing the assurance that Program outcomes are likely to live on after the Program ends.

During the Reporting Period, the Program progressed its work on Sustainability Plans. The Program worked to include the following elements in Sustainability Plans:

- a description of controls and governance mechanisms designed to ensure the Target State continues;
- measures to monitor the operation of those controls and to escalate control weaknesses; and
- an outline of governance arrangements and accountability for ongoing operation of the Plan.

While early Sustainability Plans were somewhat formulaic, the subtleties involved with different Recommendations began to emerge more clearly as the Reporting Period progressed and experience with these Plans evolved. Importantly, this evolution showed:

- growing recognition of the need to identify specific mechanisms to ensure that the Target State is sustained once the Program ends;
- growing awareness of the need to focus more on the Target State itself, than on the operation of the underlying mechanisms and controls; and
- the importance of providing, to the extent possible, evidence demonstrating that the Target State has been maintained in Recommendation Closure Packs.

As a result of the Second Foundational Review, not only were some Recommendation Closure dates brought forward but, in a number of cases, the Closure Packs for Embed Milestones and Recommendation Closures have been scheduled to be delivered either together, or in close proximity.

In general, we expect all mechanisms designed to maintain the Target State to be operating effectively as part of BAU before a Recommendation can be assessed as closed.

Therefore, in assessing all Recommendations we will give consideration to the following:

- Where there is already a solid body of evidence that the Target State is being sustained as part of BAU, we expect to be comfortable assessing the Embed Milestone and Recommendation as closed in close succession.
- Where the Recommendation Closure Pack is delivered and specific evidence that could help validate that a Target State has been sustained is scheduled to be available within a reasonable period of time (for example, a survey or independent review), we expect we will wait to review that evidence before assessing the Recommendation as closed.
- Where the evidence of a sustained Target State is dependent on a particular activity cycle that will not be completed within a reasonable period of time, we expect to assess the Recommendation as closed subject to CBA monitoring the evidence from the remainder of the activity cycle very closely and responding, if needed, by revising the Sustainability Plan.

While, as a general rule, the Sustainability Plans themselves are expected to fall away as the elements of the Plans are operationalised, we see merit in maintaining the Plans until such time as the evidence of their operational effectiveness has been established.

Consistency

As noted in our Seventh Report, inconsistent Program implementation across BU/SUs has emerged as one of the primary risks to successfully realising the Group-wide changes the Program is striving to achieve.

During the Reporting Period we observed several instances of variations in the implementation of the Program across BU/SUs, and in some cases, this had an impact on our assessment of relevant Milestones. For example, in our assessment of Milestone 12c.2 we observed different levels of maturity between the various BU/SU NFRs in emerging risk discussions (see section 6.2.2 for further information).

During the Reporting Period, the Program spent a significant amount of time developing and executing solutions to address gaps that had been discovered between what is required by the RAP and what was being implemented (see section 2.2.5 for further information). The most obvious gaps, as at the start of the Reporting Period, were those in relation to Aussie Home Loans (**AHL**), which had been relatively slow to implement certain

aspects of the RAP. As a result, a concerted effort was made to identify and address areas where the RAP has been inconsistently implemented.

During the Reporting Period, the Program worked with AHL to develop mitigation plans for addressing risks and issues associated with delivering the RAP within AHL. This included identifying which AHL policies did not fully comply with the Group policy framework and standards and how these instances of non-compliance might impact delivery timelines of certain Embed Milestones (e.g., Milestone 12f.3, Milestone 16.3). We expect the Program to continue to work through these challenges, including, in particular, its approach to ensuring that RAP outcomes delivered in AHL are sustainable.

The Program's status was 'Red' for roughly a third of the Reporting Period, in part, as a result of these inconsistencies in the implementation of the RAP within certain parts of the Group.

Notwithstanding the challenges, the Program made good progress in managing identified inconsistencies across the Group and in maturing its approach to managing them. In particular, the Program encouraged BU/SUs to share their experiences and promoted role modelling of better practices. The Program also helped address inconsistencies by sharing resources where they were needed most.

2.2.5. Program Management

During the Reporting Period:

- The Central RAP Team continued to carefully monitor the status of the Program and took steps to ensure that the Program was being implemented consistently across the Group.
- Communication about the Program continued to be delivered at a high-level of quality, including using the newly developed RAP narrative.
- Resourcing shortfalls remained a significant risk to successful execution of the Program.
- Data quality emerged as a key risk.

Central RAP Team

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

The Central RAP Team continued to facilitate effective pre- and post-submission briefings of Closure Packs for Milestones and Recommendations. These briefings have been useful in providing information and context to support Milestone and Recommendation assessments.

As noted in our Seventh Report, the Central RAP Team informed us that the frequency of formal reporting of BU/SU implementation status would be reduced from fortnightly to monthly. In response to this change, during the Reporting Period, the Central RAP Team began providing us with weekly verbal updates on the status of the Program.

As a result of this change in approach, the Central RAP Team is now playing an increasingly crucial role in monitoring Program status and progress on 'go-to-green' plans. We note in this respect that the Program had a 'Red' status for a significant portion of the Reporting Period. This reflected concerns about resourcing issues in

some businesses (which were thought to be putting delivery of Milestones later in the year at risk), driven in part by the reprioritisation of resources required to respond to the Pandemic. The 'Red' status was also driven by the challenges noted above in delivering consistent application of the RAP to certain parts of the Group. As at the Reporting Date, the status of the Program had been upgraded to Amber as a result of the progress made in addressing these inconsistency issues.

During the Reporting Period, the Central RAP Team identified and implemented uplifts to the Closure Pack Quality Assurance approach. The Central RAP Team reviewed the process for compiling Closure Packs and identified certain opportunities to improve the quality of the response and transparency of the process. From April, the Central RAP Team introduced enhancements to the Closure Pack Quality Assurance process. This updated approach includes centrally pre-populating certain elements of the Closure Packs to drive consistency across Themes. In addition, to facilitate transparency of the Closure Pack Quality Assurance process, the Central RAP Team has developed a checklist for both Milestone and Recommendation Closure Packs which has been shared with Major Theme Leads and Execution Leads.

The Closure Packs we received during the Reporting Period did not, on the whole, raise any material quality concerns.

In our Seventh Report, we noted that the Central RAP Team experienced a number of staffing changes, with key and long-standing members of the team leaving the Program for varying periods. During the Reporting Period, additional changes to be made over coming months were flagged. In particular, certain Themes will be grouped together and two General Managers will be appointed to lead these new grouped Themes. While we are pleased to see that the Program structure retains the flexibility to adjust to changing circumstances, the Program should ensure that the changes do not result in a loss of Program knowledge and experience which remain vital to delivering quality outcomes.

Communications

During the Reporting Period, communication about the Program continued to be delivered across the Group at the high level of quality and frequency described in our Previous Reports.

As mentioned in our Seventh Report, the Program delayed the roll out of certain RAP-related communication initiatives due to the Pandemic. However, as Pandemic-related communications evolved as a major point of engagement for staff during the Reporting Period, the Group began to integrate messaging on the Program into Pandemic communications, where appropriate.

The Reporting Period saw several innovations in communications, including the launching of the 'Five Questions. Five Skills.' series and the second instalment of the 'Risk Cuppa' series. These series aim to communicate the NFR-related stories of a wide range of staff within the Group, and are an effective mechanism for bringing the themes of the Program into the everyday lives of staff.

Executive Leaders also continued to communicate their ongoing and strong commitment to achieving the objectives of the Program during the Reporting Period. This was evident in the CEO's 'Reflections' podcast, which emphasised how things have changed since the Prudential Inquiry. It was also evident in the regular email communications by Executive Leaders to their BU/SUs.

Materials also continued to be developed and communicated to support delivery of Drops, including Drop 8 and Drop 9. As discussed in section 2.2.4, Drop-related communications evolved with an emphasis on clarity and succinctness during the Reporting Period.

The overarching Program narrative, which we discussed in our Seventh Report, was finalised during the Reporting Period. The narrative seeks to describe how improvements to the management of NFR (as delivered through the RAP) are leading to (i) a deeper understanding of NFR accountability, (ii) enhanced knowledge of the tools to manage those risks, and (iii) customers' financial well-being being more prominent in decision-making, product design and service.

The narrative has the potential to serve as an effective tool for addressing change fatigue. During the Reporting Period the narrative was communicated to staff by the CEO and Executive Leaders, and published in full on One.CBA.

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

Monitoring and Addressing Resourcing Needs

Resourcing the implementation and embedment of the RAP remained a significant concern for the Program throughout the Reporting Period. Insufficient capacity and capability pose a significant risk to delivering the Program.

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

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

Resource forecasts were provided by each BU/SU for each upcoming Drop and were signed off by both the relevant CRO and Executive Leader. The Central RAP Team continued to challenge the accuracy of individual BU/SU estimates.

During the Reporting Period, the Program complemented its resource forecasting method with a 't-shirt sizing approach' for estimating resourcing needs for RAP delivery in the BU/SUs. Rather than relying on bottom-up estimates of required resources, the t-shirt sizing approach estimates the FTE requirements for each activity based on the requirements of similar activities in prior Drops. The Program noted that this change in approach resulted in more accurate estimates, as the FTE estimates now take into account experience from performing similar activities in previous Drops.

Notwithstanding these innovations and improvements in resource forecasting, resource management remained a challenge throughout the Reporting Period.

The impact of the Pandemic on recruiting new staff and the challenge posed by the Group's response to the Pandemic continued to complicate the process of addressing resourcing shortfalls. As a result of the Pandemic, resources needed to be diverted to activities which included supporting engagement with customers affected by the economic consequences of the Pandemic and supporting employees through changed work arrangements.

Some BU/SUs, in particular, appear to be struggling to meet their resourcing challenges. For example, certain customer-facing BUs have diverted staff to attend to initiatives associated with the Pandemic. The capacity of

the CCO teams within some SUs to implement the RAP has also been reduced as they support the front line response to the Pandemic.

We also understand that Group initiatives being delivered through frameworks being uplifted by the RAP, including the Change Investment Process (CIP) and GDF, increased resourcing concerns as a result of the sheer volume of work required to implement them.

The Program took steps to manage these resourcing constraints during the Reporting Period. For example, the Group CRO granted temporary relief from conducting certain reviews set out under the FY20 Line 2 assurance plan in order to free up resources to focus on RAP implementation and other key priorities.

The Program also acknowledged insufficient capability in BU/SUs to execute the RAP as a key risk that was crystallising. We understand that the Central RAP Team is taking steps to address this risk, including through plans to integrate capability indicators and measures into resourcing forecasts for RAP delivery.

In status reporting throughout the Reporting Period, resourcing was flagged as a key delivery risk. In some cases, resourcing concerns led some BU/SUs to report their Program delivery statuses as 'Red'. This risk has not yet been effectively mitigated. Over the next Reporting Period we will continue to closely monitor how CBA mitigates the risk that the lack of resources, in terms of both capacity and capability, may compromise the quality of the changes being implemented.

Systems, Data, and Reporting

During the Reporting Period, the Program continued to make progress in the Enabling Systems, Data, and Reporting work stream. As indicated in our Previous Reports, the Enabling Systems, Data and Reporting work stream does not have responsibility for stand-alone Milestones. Rather, the work stream monitors and supports the delivery of key initiatives that are crucial to delivering Recommendations across multiple Themes. Notably, this work stream is involved in the updates to RiskInSite which support the delivery of Risk Appetite, Taxonomy and Standards and Accountability and Controls Delivery Theme Recommendations, such as 16, 12f, 12d, and 12e.

During the Reporting Period, the Program updated its approach to discussing the status of the Enabling Systems, Data and Reporting work stream. Technology risks are now discussed earlier during governance forums to ensure appropriate time is devoted to discussing any potential technology risks and issues. This change has been beneficial in light of the crucial role that Enabling Systems, Data and Reporting work stream deliverables play in the Program successfully delivering key Embed Milestones.

During the Reporting Period, data quality emerged as a key risk. Specifically, the Program acknowledged this risk in regular status reporting. In addition, through the course of conducting our assessments, we noted inconsistent, incomplete or inaccurate data sets, which could ultimately affect the quality of NFR reporting across multiple areas targeted for uplift through the RAP.

The Program has acknowledged this concern. As part of an update on the Program's progress in addressing issues identified in our assessment of Milestone 12e.2 (which included poor data quality), CBA presented its plans to uplift the quality of the data used in risk profiles. In particular, CBA has proposed enhancing the RiskInSite user interface, including by improving the visibility and usability of risk and control data, and clearly highlighting instances where data are inconsistent or inaccurate.

We understand that the proposed RiskInSite uplifts are intended to improve how the Group monitors, reports, and manages NFR. We note, however, that this additional initiative could take focus away from other work to

uplift data quality required to deliver key RAP Recommendations. The Program has acknowledged that this initiative presents a competing priority which may impact RAP deliverables of RCSA and CAP.

2.2.6. Risk and Assurance Oversight

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

Notably, the operating model for the Line 2 function for the Program changed again. Key aspects of the Line 2 operating model now include:

- At the Program level, Line 2 approves delivery risks and accepts the status of the Program (this includes CRO sign off on BU/SU status) including, where appropriate, risk mitigation plans, and attends the key RAP Governance, BU/SU Delivery Governance, and Planning and Dependencies Management Forums.
- At the BU/SU CRO level, Line 2 accepts monthly BU/SU status reports and attends governance forums and the newly formed Line 2 Working Group. This latter group seeks to drive consistency in Line 2's approach to reviewing BU/SU progress in delivering the Program.
- At the Theme level, Line 2 accepts Theme Lead status reports and attends the RAP weekly scrum.
- At the Drop level, Line 2 develops and shares guidance on the assurance approach for the current and upcoming Drops with BU/SUs at the Line 2 Working Group. BU/SU CROs then leverage that guidance to conduct Drop assurance.

The approach to assurance over the BU/SU delivery of Drop items also evolved during the Reporting Period. Previously, Line 2 centrally developed Drop assurance templates which the BU/SU CROs completed and returned to the RAP CRO, who analysed the templates and developed assurance findings. This approach changed during the Reporting Period to decentralise responsibility. The RAP CRO now provides BU/SU CROs with Drop assurance guidance. The BU/SU then takes responsibility for the Drop assurance. The Program has noted that this new approach seeks to mitigate the risk of BU/SU Drop assurance becoming a 'tick-the-box' exercise and to encourage greater BU/SU accountability for Drop assurance.

During the Reporting Period, the Program socialised the outcomes of the Drop 6 BU/SU CRO assurance reviews with CCOs, BU/SU NFRCs and the Central RAP Team. The review found that, while the vast majority of required activities had been completed in each BU/SU, further effort was needed to ensure that continuing activities from previous Drops are sustained and embedded.

During the Reporting Period we also observed BU/SU CROs continuing to:

- actively challenge BU/SU status reporting;
- actively challenge Line 1 resourcing estimates and closely monitor their own resourcing;
- monitor and provide challenge, where needed, to support the sustainability of RAP outcomes; and
- drive consistency by sharing learnings and best practice across the CRO community, with a particular focus on sustainability.

Active BU/SU CRO engagement with the Program, particularly in relation to providing challenge on the implementation of the Program in their BU/SUs, remains critical to the timely and sustainable execution of the RAP.

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

As in previous Reporting Periods, we met regularly with GA&A to discuss their observations on Program progress. These meetings have continued to be useful opportunities to not only test our views of Program developments against another independent view, but also to gather further detail of GA&A's involvement in the Program.

We note that the work of GA&A is an important input into our assessment activities. The GA&A audits of adherence to the 3LoA Principles and Line 2 Assurance will be particularly important. These audits were included in the Audit Plan approved by the Board Audit Committee (**BAC**) in the latter part of the Reporting Period, and will be conducted during the second half of this calendar year. We will pay particular attention to GA&A's findings on the capability of those performing realigned activities, the role of Risk Stewards, and the interaction between Lines of Accountability.

During the Reporting Period, GA&A shared its preliminary audit on the implementation of 3LoA realignment plans and the Line 2 Assurance Program. This particular audit, and management's response to its findings, have provided useful background to our assessments of Milestones touching on each of these areas.

2.3. Ongoing Challenges and the Road Ahead

To date, the Group has had success in addressing the challenges that we have highlighted in our Previous Reports. However, the challenges in the period ahead will evolve as the Program moves from the Design and Implement phases to the Embed and Recommendation Closure phases. The advent of the Pandemic provides an overlay to these challenges that could not have been anticipated at the start of 2020.

The Pandemic

The Pandemic will continue to pose a challenge to the successful execution of the RAP over coming Reporting Periods. In particular, the Pandemic put a strain on resourcing that affected the Program during the Reporting Period. That impact is unlikely to dissipate much, if at all, before the start of 2021.

The immediate need during the Reporting Period was for CBA to divert staff with relevant experience from other areas of the Group, including from the Program, to customer-focused activities such as lending. As noted above, CBA took these resourcing challenges into account in revisions made to the RAP under the Second Foundational Review.

It is inevitable that, as the Pandemic progresses, different skill sets will be required. This will not only continue to put pressure on Program resource levels, but may result in changes in the skill mix of staff involved in the Program. The need to focus on the Group's response to the Pandemic is also likely to challenge the experience level in the Program and put pressure on the Program to adapt. Ongoing work will be needed to monitor, understand and address the nature and extent of the changing impact of the Pandemic on the resourcing requirements of the Program as it enters its most demanding phases.

In particular, the Program will experience periods of peak activity over coming Reporting Periods in which staff will be required to make wide-ranging behavioural, process, and technology changes. While this would be challenging, even during normal times, the Pandemic will make it even more difficult.

To successfully navigate the period ahead, CBA must continue to proactively identify and address the risks posed by the Pandemic. In particular, the Program should continue to carefully manage the resourcing challenges associated with the Pandemic. We encourage the Program to continue to reflect carefully on whether particular resourcing challenges are driven by capacity or capability constraints. It is crucial that the Program remains cognisant of the challenges presented by capability requirements, even when capacity needs are met.

We also encourage the Program to reflect on how the nature of change fatigue may be shifting in light of the Pandemic and consequent changes to ways of working. Previously identified measures to combat change fatigue (such as in-person team events) may prove challenging to employ in the current environment. CCOs may need to employ creative strategies to keep staff motivated and able to absorb the extensive changes being made during this period. The Program should continue coming back to the RAP narrative as a means of combating change fatigue by re-sharing key messages across all levels of the organisation in order to remind staff of what they are trying to achieve. CBA's communications team will be critical in managing this challenge.

Despite these challenges, we note that the Group's ability to effectively respond to the Pandemic has been strengthened by the work completed by the Program to date. Uplifts to the Group's NFR management capability and culture delivered under the RAP should serve the Group well in responding to the evolving Pandemic. For example, the elevation of the 'voices' of risk and compliance, and the wide adoption of the 'should we' question put the Group on a solid footing to address the challenges posed by the Pandemic.

Beyond the impact of the Pandemic, the main operational challenges in the period ahead are those associated with quality, consistency and sustainability.

Quality

The acceleration of the delivery timetable under the Second Foundational Review is creating an inevitable tension between the quality and timeliness of delivery. The Program must continue to emphasise the importance of maintaining quality despite the changes that are being made. This goes beyond the quality of what is ultimately summarised in a Closure Pack for assessment. The Program must ensure the documentation, reporting, and activities happening at a granular level across business lines are completed to an appropriate and consistent standard. We encourage the Program to reflect on the different dimensions of quality, which include:

- the quality of implementation at BU/SU level;
- the quality of engagement with the changes being made;
- the quality of controls put in place to ensure sustainability; and
- the quality of the data that feed into Program outcomes.

During the Reporting Period, the importance of prioritising quality over timeliness of delivery was consistently reinforced by the Central RAP Team. The need to maintain the quality of changes being made through the RAP was front-of-mind in all Program Forums. It is vital that the Program follows through on this sentiment in the period ahead.

Those involved in rolling out the Program need to continue to question whether quality is being properly prioritised, by asking questions such as:

- Do BU/SUs have enough time to deliver quality solutions?
- Do the changes being made by the Program still address the issues highlighted by the Prudential Inquiry?
- Does management have bandwidth to give each of the changes the required attention?

The Program will need to consider and manage the various facets of quality to ensure the Program is successful in addressing the issues that were highlighted by the Prudential Inquiry. Importantly, the Program will need to strive to embed each Milestone as designed and implemented.

We encourage BU/SUs to continue prioritising quality over timeliness in implementing the current and future Drops.

A particular challenge to maintaining quality arises from the need to pivot in the next phases from evidencing process uplifts, to evidencing outcomes. To date, the focus has been primarily on evidencing the design and implementation of uplifts to NFR management process. In the Embed and Recommendation Closure phases, the Program needs to focus on evidencing whether those changes have in fact translated into better NFR management outcomes. It is one thing to evidence enhanced reporting; it is quite another to evidence how that reporting has become embedded and how it has led to more timely and effective decision making and actions on NFR issues. Gathering such evidence may require a shift in the Program's approach to evidence collection.

We encourage the Central RAP Team to continue to proactively monitor the quality of Closure Packs and periodically reflect on areas for potential improvement. Ensuring continued delivery of clear, consistent and complete Closure Packs is crucial, particularly as the Program begins to deliver a higher volume of Recommendation Closure Packs.

Consistency

The second operational challenge for the period ahead is ensuring consistency. Inconsistency in BU/SU implementation of new NFR management processes has been identified in Previous Reports as a significant challenge to successfully realising the outcomes sought by the RAP. It is clear that some BU/SUs are well progressed in achieving Program outcomes, while other still have some way to go.

BU/SU CCOs have a central role to play in monitoring and addressing inconsistent implementation of the RAP. As mentioned above, and emphasised in the Previous Report, CCOs should continue, to the extent possible, to use the BU/SU Delivery Governance Forum to identify and resolve consistency concerns. The importance of using this Forum to share solutions and drive consistent implementation cannot be overstated. Given differences in the maturity of NFR management across the Group, sharing approaches and solutions between the more mature and less mature BU/SUs is vital to the success of the Program.

The Group CCO is well positioned to manage this aspect of the Program through sharing of insights and experiences related to the Program from across the Group. The Group CCO should also continue to create opportunities for CCOs to work together to identify common approaches, responses and synergies. While good progress has been made in sharing BU/SU experiences and in seeking to close the gaps between BU/SUs, there is still work to be done in this respect.

Line 2 Assurance over Drop activities can also play a crucial role in identifying and remediating inconsistency in implementation across BU/SUs. In this capacity, it is important that Line 2 conducts timely and carefully targeted assurance over Drops to ensure any potential issues are addressed sooner rather than later. It is also key for Line 2 to continuously conduct cross-Theme and cross-BU/SU analyses of assurance outcomes to identify and address any systemic issues or patterns. We recognise that the Program is operating in a difficult resourcing environment and has undergone frequent change to its Line 2 approach. We note, however, that, while Drop 6 was completed at the end of 2019, the findings from Line 2's assurance over the Drop were not presented until the end of May 2020. We encourage the Program to reflect on whether it is possible to aggregate and analyse Drop assurance findings more quickly, in order to give BU/SUs more time to reflect on and address opportunities for improvement.

We noted earlier the move away from centrally developed templates to guidance for BU/SU CROs in performing assurance over Drops. While we recognise the reasoning behind this move, we also note the risk that such an approach may lead to inconsistency in Drop assurance across BU/SUs. Such inconsistency could undermine the overall validity of Drop assurance findings, and potentially make it more difficult to detect cross-BU/SU implementation issues. The Program should reflect on whether the change to a guidance-based model for assurance is consistently delivering the desired outcomes and whether additional measures may be required to mitigate this risk.

Variations in the application of the RAP are an area to be monitored very closely. While variations can sometimes be justified when considered in isolation, collectively they can become a tear that weakens the fabric of consistency. The Central RAP Team will need to remain vigilant and continue to scrutinise carefully any variations sought by BU/SUs in how RAP outcomes are delivered.

A key avenue for monitoring the consistency of Program implementation is BU/SU status reporting, which can provide an early indication of potential inconsistency issues. It is important that the Central RAP Team continues to use status reporting to monitor the consistency with which the RAP is being implemented and embedded in BU/SUs, and continues to challenge 'go-to-green' plans where progress is unsatisfactory. In particular, the Central RAP Team should continue to closely monitor the quality of status reporting coming from the BU/SUs, challenge Theme Leads on progress, maintain clear escalation channels, and reflect on the effectiveness of these measures to monitor implementation status and address emerging delivery risks. It is also important that BU/SU CROs continue to dedicate sufficient time to understanding and challenging status reporting where they feel it does not accurately reflect BU/SU progress.

While inconsistency across BU/SUs has been highlighted in Previous Reports, inconsistency across Themes within the RAP can also present challenges for the period ahead. Certain areas, such as those associated with governance, culture and consequence management are well on track for closure of Recommendations in coming periods. Other areas, such as those linked to the strengthening of OR&C management and the 3LoA model have a larger gap to close. It is critical in the upcoming periods that these lagging areas receive additional resources and attention to bring them into line and ensure that the maturity of the Program does not get too far out of balance.

Sustainability

The third operational challenge for the period ahead is ensuring sustainability. It is fundamental to the long-term success of the Program that the changes that have been implemented are sustained after the Program has ended. As noted earlier, ensuring sustainability involves implementing mechanisms and processes that refresh understanding and awareness of the Program's objectives on a regular basis. In our view, the key to success in this respect requires that the focus of Sustainability Plans should be on outcomes rather than on processes.

The objective should be to sustain Target States, not just to sustain the processes supporting the Target States. It will be important to establish, to the greatest extent possible, a firm evidentiary basis for assuring that each Target State is being sustained over time. We encourage the Central RAP Team to continue to proactively monitor the relevance of Sustainability Plans and to maintain the focus on operationalising mechanisms and processes that focus on Target States, and on establishing the evidentiary basis for assuring that Target States are being sustained over time.

2.4. Focus Areas

Table 2.1: Areas on which CBA Should Focus

Focus Area	Actions
Effective Project Management and Governance Disciplines	(i) The Central RAP Team should continue to proactively monitor the quality of Closure Packs and periodically reflect on areas for potential improvement. (ii) The Central RAP Team should continue to closely monitor the quality of status reporting coming from the BU/SUs, challenge Theme Leads on progress, maintain clear escalation channels, and reflect on the effectiveness of these measures to monitor implementation status and address emerging delivery risks
Consistency, Simplicity, Practicality and Sustainability	(i) The Central RAP Team should continue to carefully scrutinise any variations sought by BU/SUs in how RAP outcomes are delivered. (ii) The Central RAP Team should continue to use status reporting to monitor the consistency with which the RAP is being implemented and embedded in BU/SUs, and continue to challenge 'go-to-green' plans where progress is unsatisfactory. (iii) The Central RAP Team should continue to proactively monitor the relevance of Sustainability Plans, and maintain the focus on operationalising mechanisms and processes that focus on Target States and on establishing the evidentiary basis for assuring that Target States are being sustained over time.
Program Design, Delivery and Management	(i) The Program should continue to emphasise the importance of maintaining quality despite the pressure to deliver to a set timeline. (ii) The Program should ensure the documentation, reporting, and activities happening at a granular level across business lines are completed to an appropriate and consistent standard.
Resourcing	(i) The Program should reflect carefully on whether particular resourcing challenges are driven by capacity or capability constraints.
Change Fatigue	(i) The Program should reflect on how the nature of change fatigue may be shifting in light of the Pandemic and consequent changes to ways of working. (ii) The Program should continue coming back to the RAP narrative as a means of combating change fatigue by re-sharing it across all levels of the organisation in order to remind staff of what they are trying to achieve.
Assurance	(i) Line 2 should conduct timely and carefully targeted assurance reviews over Drops to ensure any potential issues are addressed sooner rather than later.

	(ii) Line 2 should continuously conduct cross-Theme and cross-BU/SU analyses of assurance outcomes to identify and address any systemic issues or patterns. (iii) The Program should reflect on whether the change to a guidance-based model for assurance is consistently delivering the desired outcomes. (iv) BU/SU CROs should continue to dedicate sufficient time to understanding and challenging status reporting where they feel it does not accurately reflect BU/SU progress.
CCOs and the Group CCO	(i) The Group CCO should continue to create opportunities for CCOs to work together to identify common approaches, responses and synergies. (ii) CCOs should continue, to the extent possible, to use the BU/SU Delivery Governance Forum to identify and resolve consistency concerns. (iii) BU/SUs should continue to prioritise quality over timeliness in implementing the current and future Drops.

3. Board Governance Theme Milestones

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

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

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

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

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

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

3.1. Status of Board Governance Theme

3.1.1. Status of Board Governance Theme Milestones

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

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

During the Reporting Period:

- The Program submitted the Closure Pack for one Board Governance Theme Milestone (Milestone 4.4) to Promontory. The Closure Pack was submitted before the relevant due date set out in the RAP.
- The Program was working on the three remaining Embed Milestones for this Theme.

At the Reporting Date, Promontory was assessing one Board Governance Theme Milestone (Milestone 4.4), the Closure Pack for which was submitted in April 2020.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 16 of the 20 Board Governance Theme Milestones had been assessed as complete and effective.

Table 3.1: Progress on Board Governance Milestones

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Progress
1	Board visibility	1.1 Implement	Increase Board engagement with senior management	Dec-18	●
		1.2 Implement	Establish Board agenda item on NFR issues and quality of information	Mar-19	●
		1.3 Implement	Amend ELT agenda to include discussion of Board information	Mar-19	●
		1.4 Embed	Undertake an annual review on Board and Board Committees' performance	Dec-19	●
2	Board better practice	2.1 Design	Compare the processes and practices of the Board to global better practice	Mar-19	●
		2.2 Implement	Change processes and practices in line with Board approved recommendations	Oct-19	●
		2.3 Implement	Update Board Corporate Governance Guidelines to require periodic review of practices	Dec-18	●
		2.4 Embed	Assess whether the Board, BAC and Board Risk and Compliance Committee (BRCC) are aligned with better practice identified in Milestone 2.1	Sep-20 ³¹	🕒

³¹ The due date for Milestone 2.4 was moved from December 2020 to September 2020 during the Reporting Period.

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

Eighth Report

July 2020

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
3	Board co-ordination	3.1 Design	Amend the BAC Charter to provide for referral of relevant matters to the BRCC	Oct-18	●
		3.2 Design	Review Board Committee Charters to consider appropriate cross-referral of matters	Oct-18	●
		3.3 Implement	Amend Board Committee agendas to include information sharing and issues referral	Mar-19	●
		3.4 Implement	Establish Board Committee joint meeting to consider NFR matters related to executive performance and remuneration	Aug-19	●
		3.5 Embed	Assess the effectiveness of coordination between the BRCC, People and Remuneration Committee (PRC) and BAC	Sep-20 ³²	🕒
4	Audit Committee	4.1 Design	BAC to set expectations on when BU/SU must present on material issues	Dec-18	●
		4.2 Design	Review, update and document the end-to-end internal audit practices in relation to issue management	Dec-18	●
		4.3 Implement	Amend internal audit process to include BU/SU issue owners appearing before BAC	Jun-19	●
		4.4 Embed	BAC to arrange review internal audit process and whether BAC expectations on presentations by BU/SU accountable individual are being met	Apr-20	🕒
5	Board information	5.1 Design	Design Board reporting in relation to NFR	Feb-19	●
		5.2 Implement	Commence revised operational risk, compliance and regulatory risk reporting to the Board and BRCC	Oct-19	●
		5.3 Embed	Assess whether the Board and BRCC received adequate NFR information	Dec-20	🕒

³² The due date for Milestone 3.5 was moved from December 2020 to September 2020 during the Reporting Period.

3.1.2. Status of Board Governance Theme Recommendations

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

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

During the Reporting Period:

- The Program submitted the Closure Pack for one Board Governance Theme Recommendation (Recommendation 4) to Promontory. The Closure Pack was submitted before the relevant due date set out in the RAP.
- Promontory assessed one Board Governance Theme Recommendation (Recommendation 1) as closed. The Closure Pack for this Recommendation was submitted in the Seventh Reporting Period.
- The Program was working on the three remaining Recommendation Closure Packs for this Theme.

At the Reporting Date, Promontory was yet to start its review of the Closure Pack for one Board Governance Recommendation (Recommendation 4) submitted in June 2020.

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

Table 3.2: Progress on Board Governance Recommendations

#	Recommendation Description	Target State Description	Due Date	Progress
1	Board visibility	The Board continues to have a positive influence on the behaviours within the Group	Mar-20	
2	Board better practice	The Board and its Board Audit, and Risk and Compliance Committees are operating at a level consistent with global better practice	Sep-20 ³³	
3	Board co-ordination	There are clear accountabilities, and timely and effective information flows between Board Committees	Sep-20 ³⁴	
4	Audit Committee	Owners of material issues are held accountable for the resolution and effective closure of issues within their remit	Jun-20	
5	Board information	The Board receives granular information on the Group's position against its risk appetite, and is able to examine NFR issues	Dec-20 ³⁵	

³³ The due date for Recommendation 2 was moved from March 2021 to September 2020 during the Reporting Period.

³⁴ The due date for Recommendation 3 was moved from March 2021 to September 2020 during the Reporting Period.

³⁵ The due date for Recommendation 5 was moved from March 2021 to December 2020 during the Reporting Period.

3.2. Board Governance Theme Recommendation Assessment Outcomes

3.2.1. Assessment of Recommendation 1

The Target State for Recommendation 1 is that:

- the Board continues to have a positive influence on the behaviours within the Group, and is engaged and visible with senior management; and
- senior leadership within the Group is clear about the behaviours and actions the Board expects of them.

The current Charters for the Board, BRCC, BAC, PRC and ELT include provisions that support the Target State, such as a requirement for the BAC to provide feedback to management on the adequacy, independence and effectiveness of Group Audit and Assurance. Forward planners also set out a series of interactions between members of the Board and senior management over the next 12 months through talent dinners, education sessions, attendance at staff forums and key business meetings.

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

- clearly defines expectations for annual performance reviews that support measurement of Board influence and visibility;
- provides for the CEO and Company Secretary to receive Chair and Board feedback and communicate this to the ELT;
- requires the number of ELT meetings where the CEO and Company Secretary provide feedback to the ELT to be recorded and reported in the Annual Review of compliance with the ELT Charter; and
- requires the Annual Report to include 'tone from the top' messaging.

Promontory therefore considers that:

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

Promontory considers the Recommendation to be closed.

4. Management Governance Theme Milestones

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

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

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

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

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

4.1. Status of Management Governance Theme

4.1.1. Status of Management Governance Theme Milestones

Milestones under the Management Governance Theme are on-track for completion by the due dates set out in the RAP.

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

During the Reporting Period, Promontory assessed one Management Governance Theme Milestone (Milestone 19.3) as complete and effective. The Closure Pack for this Milestone was submitted in the Seventh Reporting Period.

At the Reporting Date, the Program had submitted Closure Packs for all Milestones.

As at the Reporting Date, Promontory was assessing two Management Governance Theme Milestones (Milestones 7.6 and 8.3), the Closure Packs for which were submitted in March 2020.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 17 of the 19 Management Governance Theme Milestones had been assessed as complete and effective.

Table 4.1: Progress on Management Governance Theme Milestones

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

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

4.1.2. Status of Management Governance Theme Recommendations

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

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

During the Reporting Period:

- The Program submitted the Closure Pack for one Management Governance Theme Recommendation (Recommendation 7) to Promontory. The Closure Pack was submitted before the relevant due date set out in the RAP.
- The Program was working on the three remaining Recommendation Closure Packs for this Theme.

At the Reporting Date, Promontory was assessing one Management Governance Theme Recommendation (Recommendation 14), the Closure Pack for which was submitted in March 2020. Promontory was yet to start its review of the Closure Pack for one Management Governance Theme Recommendation (Recommendation 7) submitted in June 2020.

Table 4.2: Progress on Management Governance Recommendations

#	Recommendation Description	Target State Description	Due Date	Progress
6	Collective accountability	The ELT will be held accountable and assessed against a set of shared priorities	Nov-20	
7	Executive Committee	The ELT will operate with a sense of collective accountability, exhibit constructive challenge and encourage diversity of thinking	Jun-20	
8	ELT NFRC	The ELT NFRC will raise the visibility and stature of NFR, and provide a central view for considering NFR issues across the Group	Sep-20 ³⁶	
14	Head of Compliance	Compliance matters receive an increased level of consideration at the Board and ELT level	Mar-20	
19	Regulator engagement	Adopting a revised regulatory engagement strategy will promote a stronger relationship with regulators and more proactive identification and management of regulatory issues	Jul-20	

4.2. Management Governance Theme Milestone Assessment Outcomes

4.2.1. Assessment of Recommendation 19 Milestone

The Target State for Recommendation 19 is that CBA adopts a revised regulatory engagement strategy that promotes a stronger relationship with regulators and a more proactive identification and management of regulatory issues to ensure that CBA meets and exceeds the expectations of all stakeholders, and rebuilds and maintains community trust.

a) Milestone 19.3

Milestone 19.3 (an Embed Milestone) requires an uplift in regulatory engagement to be demonstrated through:

- reduced legalistic and defensive posture;
- more proactive and constructive engagement with regulators; and
- increased speed and responsiveness to complying with regulator communications.

³⁶ The due date for Recommendation 8 was moved from June 2020 to September 2020 during the Reporting Period.

CBA confirmed and provided evidence that:

- it has implemented protocols to ensure an appropriately pro-active and constructive posture with regulators;
- internal and external communications on regulatory matters demonstrate appropriate engagement with regulators;
- feedback from regulators is captured and monitored in the Regulatory Feedback register;
- it has engaged with regulators holistically where matters span more than one BU/SU; and
- a Group-wide standard sets out incident management steps, timeframes for responses, and accountabilities.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 19.2 (and 19.1) in relation to CBA's primary regulators preferring to provide general feedback to CBA on regulatory engagement as part of BAU processes, rather than using a set of predetermined measures or metrics. CBA has continued to collect feedback, including monitoring correspondence for changes in tone, reviewing formal reports and letters for messages or feedback, and through informal discussion with regulatory officers.

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

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

- evidence of a stronger relationship with regulators and that CBA is being more proactive in identifying and managing regulatory issues;
- whether CBA assesses its relationship with some regulators to be stronger than others; and
- how feedback from regulators informs its approach to continuous improvement.

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

- demonstrated an understanding of the importance of strong regulatory relationships;
- implemented metrics designed to monitor the frequency and content of its relationship with regulators, and ensure an appropriate tone and responsiveness; and
- resourced a team that has a centralised view of its regulatory relationships and is cognisant of different norms and expectations applying to specific regulators.

As such, we consider that:

- the Milestone's Closure Criteria have been met;

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

The Milestone is, therefore, complete and effective.

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

- how CBA has continued to refine and apply its understanding of the strength of its relationship with individual regulators, including identifying opportunities for improvement;
- how CBA has continued to refine and apply its use of metrics for monitoring regulatory engagement, including identifying trends or areas for improvement; and
- the adequacy of the steps taken in relation to reviewing and assessing the effectiveness of the Regulatory Engagement Operating Model.

5. Operating Model (3LoA) Theme Milestones

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

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

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

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

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

5.1. Status of Operating Model (3LoA) Theme

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

Milestones under the Operating Model (3LoA) Theme are on-track for completion by the due dates set out in the RAP.

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

During the Reporting Period:

- No Milestone Closure Packs for this Theme were submitted to Promontory.
- Promontory assessed one Operating Model (3LoA) Milestone (Milestone 9.3) as complete and effective. The Closure Pack for this Milestone was submitted in the Sixth Reporting Period.
- The Program was working on one Embed Milestone for this Theme. Work had yet to start on one other Embed Milestone for this Theme.

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

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

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

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

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

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

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

During the Reporting Period:

- The Program submitted the Closure Pack for one Operating Model (3LoA) Theme Recommendation (Recommendation 10) to Promontory. The Closure Pack was submitted before the relevant due date set out in the RAP.
- The Program was working on the one remaining Recommendation Closure Pack for this Theme.

At the Reporting Date, Promontory was yet to start its review of the Closure Pack for one Operating Model (3LoA) Theme Recommendation (Recommendation 10) submitted in June 2020.

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

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

5.2. Operating Model (3LoA) Theme Milestone Assessment Outcomes

5.2.1. Assessment of Recommendation 9 Milestone

The Target State for Recommendation 9 is to have consistent adherence to the 3LoA Principles across BU/SUs, and any deviations to be approved only in exceptional circumstances. Adhering to the 3LoA Principles should reinforce that Line 1 owns and manages its risks and Line 2 is responsible for providing independent review and challenge.

a) Milestone 9.3

Milestone 9.3 (a Design Milestone) requires that CBA develop a plan setting out expectations and timelines for realignment to 3LoA Principles for all risk types other than OR&C and that the ELT endorses the plan.

CBA confirmed and provided evidence that:

- the ELT had endorsed a paper which sets out CBA's position on the 3LoA Principles as they apply to credit risk; and
- there would be further work undertaken to articulate the application of 3LoA to the remaining financial and business risk types (strategic, market, insurance, and liquidity risk).

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

- the level of detail intended for plans to support the transition of remaining risk types to align to the 3LoA Principles;

- how CBA assessed current state activities against the 3LoA Principles to identify the areas requiring realignment (taking into consideration aspects such as capacity, capability and funding);
- whether CBA's position on the application of the 3LoA Principles to credit risk (and any further detail on the relevant credit risk activities across the three lines) had been communicated to the BU/SUs;
- whether an approach and timeline had been set for completion of any activity (including establishment, realignment or uplift) necessary to implement the 3LoA Principles for financial risk types (including credit risk); and
- CBA's view on the application of the 3LoA principles to other financial risk types (liquidity, market, insurance risk) and strategic risk.

Based on our assessment of the Milestone Closure Pack, and the additional information we received, we concluded that CBA has formed a view on the application of the 3LoA Principles to financial and strategic risk types, that supports the consistent application of 3LoA across BU/SUs.

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

6. Risk Appetite, Taxonomy and Standards Theme Milestones

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

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

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

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

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

6.1. Status of Risk Appetite, Taxonomy and Standards Theme

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

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

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

During the Reporting Period:

- The Program submitted the Closure Pack for three Risk Appetite, Taxonomy and Standards Theme Milestones (Milestones 12a.7, 12b.3a and 12d.2b) to Promontory. The Closure Packs were submitted before the relevant due date set out in the RAP.
- Promontory assessed two Risk Appetite, Taxonomy and Standards Theme Milestones (Milestones 12a.6 and 12c.2) as complete and effective. The Closure Packs for these Milestones were submitted in the Fourth and Sixth Reporting Periods.

- The Program was working on the two remaining Implement Milestones and three remaining Embed Milestones for this Theme.

At the Reporting Date, Promontory was yet to start its review of three Risk Appetite, Taxonomy and Standards Theme Milestones (Milestones 12a.7, 12b.3a and 12d.2b), the Closure Packs for which were submitted in late June.

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

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

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

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

Eighth Report

July 2020

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
12b	NFR minimum standards	12b.1 Design	Define criteria for minimum standards in relation to NFR	Dec-18	
		12b.2a Implement	Define minimum standards for first wave of Prioritised Risk Types	Nov-19	
		12b.2b Implement	Define minimum standards for second wave of Prioritised Risk Types	Aug-20	
		12b.3a Embed	Embed minimum standard for first wave of Prioritised Risk Types	Jun-20	
		12b.3b Embed	Embed minimum standard for second wave of Prioritised Risk Types	Feb-21	
12c	Emerging risks	12c.1 Design	Dedicate time to consider emerging risks at the ELT NFRC	Dec-18	
		12c.2 Implement	Discuss emerging risks at ELT NFRC	Nov-19	
		12c.3 Embed	ELT NFRC holds discussion on emerging risks and receives reporting that is supported by discussion at BU/SU NFRCs	Sep-20 ³⁷	

³⁷ The due date for Milestone 12c.3 was moved from October 2020 to September 2020 during the Reporting Period.

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

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

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

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

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

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

#	Recommendation Description	Target State Description	Due Date	Progress
12a	RAS limits	CBA strengthen its management of OR&C and ensure that the Group RAS includes limits and triggers for more granular OR&C metrics by risk theme	Sep-20	
12b	NFR minimum standards	Clear, simple and enforceable OR&C minimum standards uplift NFR management and are continually refreshed	Feb-21 ³⁸	

³⁸ The due date for Recommendation 12b was moved from May 2021 to February 2021 during the Reporting Period.

#	Recommendation Description	Target State Description	Due Date	Progress
12c	Emerging risks	The ELT NFRC dedicate specific agenda time to understanding and addressing emerging risks resulting in more proactive identification and management of risks	Sep-20 ³⁹	
12d	Line 2 assurance	A Line 2 Assurance Plan is deployed to provide selected, targeted and effective independent assurance over relevant ORMF/CMF and risk type policies	May-21	

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

6.2.1. Assessment of Recommendation 12a Milestone

The Target State for Recommendation 12a is that CBA strengthen its management of OR&C and ensure that the Group RAS includes limits and triggers for more granular OR&C metrics by risk theme.

a) Milestone 12a.6

Milestone 12a.6 (an Embed Milestone) requires that there are enhanced discussions held at ELT NFRC and BRCC on risk profile versus risk appetite, enabled by improved reporting against more granular Early Warning and Intervention Levels.

CBA confirmed and provided evidence that:

- it has commenced reporting to the BRCC and ELT NFRC against the Group RAS OR&C metrics;
- the reporting to the BRCC and ELT NFRC sets out each Group RAS OR&C metric position against Early Warning and Intervention Levels; and
- BU/SUs have commenced reporting to their respective ELT NFRCs on Group RAS metrics cascaded to their respective BU/SU.

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

- evidence of open and challenging discussions held at the BRCC and ELT NFRC regarding risk appetite;
- the quality and availability of underlying RAS data and the alignment of data sources;
- alignment between risk profile risk ratings and the RAS metric levels for specific Risk Types;

³⁹ The due date for Recommendation 12c was moved from December 2020 to September 2020 during the Reporting Period.

- actions taken in response to RAS reporting;
- the RACI matrix outlining responsibilities and accountabilities for the governance of the RAS framework; and
- the RAS operating procedures.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that enhanced discussions are being held at ELT NFR Committee and Board Risk Committee on risk profile versus risk appetite.

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

In finalising our assessment, we foreshadowed that our assessments of the final Embed Milestone for this Recommendation will consider whether the Sustainability Plan for Recommendation 12a evidences how CBA intends to maintain the Recommendation Target State on an ongoing basis.

6.2.2. Assessment of Recommendation 12c Milestone

The Target State for Recommendation 12c is that the ELT NFRC dedicates specific time in meeting agendas to understanding and addressing emerging risks, resulting in the proactive identification and management of risks. The Target State envisages the ELT NFRC focusing on short- and long-term emerging risks, control gaps and issues identified through CBA's internal processes and systems.

a) Milestone 12c.2

Milestone 12c.2 (an Implement Milestone) requires the ELT NFRC to discuss emerging risks, including through consideration of emerging regulatory risks, emerging risks identified within BU/SUs and overall Group and BU/SU analysis.

CBA confirmed and provided evidence that:

- reporting on surfacing and horizon risks was provided to the ELT NFRC;
- the Emerging Risk Forum will provide identification, measurement and challenge of non-financial emerging risks; and
- BU/SUs are required to discuss emerging risks at least quarterly.

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

- the frequency of discussion of emerging risks, and the associated reporting, at the ELT NFRC;
- changes to the format of the Emerging Risk Report;
- the Emerging Risk Forum charter, agendas, papers and minutes; and
- consistency in BU/SU NFRC emerging risk discussions and reporting.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that ELT NFRC is discussing emerging risks, including through consideration of emerging regulatory risks, emerging risks identified within BU/SUs and overall Group and BU/SU analysis.

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

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

- whether the Emerging Risk Forum is effectively fulfilling its mandate to assess and escalate emerging risks identified by BU/SUs to the ELT NFRC;
- whether reporting on emerging risks at all BU/SU NFRCs complies with the minimum requirements of the BU/SU Emerging Risk Reporting Template; and
- whether emerging risks faced by certain in-scope Lines of Business are included in the emerging risks reporting process.

7. Accountability and Controls Delivery Theme Milestones

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

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

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

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

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

7.1. Status of Accountability and Controls Delivery Theme

7.1.1. Status of Accountability and Controls Delivery Theme Milestones

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

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

As noted in section 2.1, the Program removed one Milestone (Milestone 12e.4a) from this Theme during the Reporting Period as a result of the Second Foundational Review. The content previously in this Milestone has been added to Milestone 12e.4b.

During the Reporting Period:

- The Program submitted the Closure Pack for two Accountability and Controls Delivery Theme Milestones (Milestones 12f.3 and 16.3) to Promontory. The Closure Packs were submitted before the relevant due date set out in the RAP.
- Promontory assessed one Accountability and Controls Delivery Milestone (Milestone 12e.3b) as complete and effective. The Closure Pack for this Milestone was submitted in the Seventh Reporting Period.

- The Program was working on the two remaining Implement Milestones and one remaining Embed Milestone for this Theme.

At the Reporting Date, Promontory was yet to start its review of two Accountability and Controls Delivery Theme Milestones (Milestones 12f.3 and 16.3), the Closure Packs for which were submitted in late June.

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

Table 7.1: Progress on Accountability and Controls Delivery Theme Milestones

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

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
12f	Root causes	12f.1 Design	Define root cause analysis as part of the Issue Management Standard	Dec-18	
		12f.2 Implement	Implement root cause analysis as part of the Issue Management Standard	Dec-19	
		12f.3 Embed	Root cause analysis completed for all issues prescribed in the Issue Management Standard	Jun-20	
16	Issue management	16.1 Design	Design the Issue Management Standard	Dec-18	
		16.2 Implement	Roll out updated Issue Management Standard to each BU/SU	Dec-19	
		16.3 Embed	BU/SUs manage all issues in line with Issue Management Standard	Jun-20	

7.1.2. Status of Accountability and Controls Delivery Theme Recommendations

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

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

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

Table 7.2: Progress on Accountability and Controls Delivery Recommendations

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

7.2. Accountability and Controls Delivery Theme Milestone Assessment Outcomes

7.2.1. Assessment of Recommendation 12e Milestone

The Target State for Recommendation 12e is that:

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

a) Milestone 12e.3b

Milestone 12e.3b (an Implement Milestone) requires that BU/SU risk profiles have been consolidated and approved. Further, it requires that the risk taxonomy for all risk types has been updated in RiskInSite and BU/SUs have validated their risk profiles to reflect the new taxonomy.

CBA confirmed and provided evidence that:

- the updated BU/SU Risk Profile Consolidation and Value Chain mapping outcomes were completed for the relevant units and approved by the Risk Profile Owner, and the BU/SU CCO and CRO;
- the updated risk profiles have been uploaded into RiskInSite;
- the changes to accountabilities for the baselining process were communicated to all BU/SU Risk Profile Owners, risk owners and control owners;
- the risk taxonomy has been updated and entered into RiskInSite;
- the controls taxonomy has been updated for all risk types;
- mapping between the old and new risk taxonomy has been also undertaken using a detailed 'how to' guide which was distributed internally; and
- baselining guidance was provided to all BU/SUs which set out the minimum expectations for each BU.

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

- whether further reviews or assurance activities had been performed to validate the updated risk profiles, value chains and taxonomies;
- how risk profiles, value chains and taxonomies would be managed following the baselining process;

- the ongoing baselining process – specifically, plans to deal with controls that had been deemed ineffective and the management of issues and areas for improvement; and
- the work being undertaken to remediate data quality issues and ensure accuracy in reporting.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that CBA has consolidated the BU/SU risk profiles and these profiles now reflect the new risk taxonomy.

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

In finalising our assessment, we foreshadowed that our assessments of the Implement and Embed Milestones for this Recommendation will consider:

- the progress of work undertaken to address data quality in RiskInSite;
- remediation of issues that have been identified as part of the BU/SU consistency reviews;
- Line 2 review of updated obligations, risks, controls and issues; and
- outputs from BU/SU consistency reviews regarding gaps in risk profiles, taxonomies and value chains.

8. Customer Outcomes Theme Milestones

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

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

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

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

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

8.1. Status of Customer Outcomes Theme

8.1.1. Status of Customer Outcomes Theme Milestones

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

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

During the Reporting Period:

- The Program submitted the Closure Packs for three Customer Outcomes Theme Milestones (Milestones 15.4a, 21.2 and 21.3) to Promontory. The Closure Packs were submitted before the relevant due date set out in the RAP.
- The Program was working on the three remaining Embed Milestones for this Theme.

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

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

Table 8.1: Progress on Customer Outcomes Theme Milestones

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Status
15	Conduct Risk Strategy	15.1 Design	Develop and CEO communicate 'Values expectations'	Aug-18	●
		15.2a Design	Develop the Code of Conduct, and accompanying roll out plan	Oct-18	●
		15.2b Design	Ensure the conduct components of Group Risk Management Approach and RAS support improvement in Conduct Risk management	Dec-18	●
		15.3 Implement	Code of Conduct rolled out, including communication and training	Mar-19	●
		15.4 Implement	Implement Conduct Risk Strategy across the Group	Dec-19	●
		15.4a Implement	Update BU/SU risk profiles via Improved RCSA for first wave of Conduct Risk prioritised risk types	Jun-20	◐
		15.5 Embed	Conduct Risk Strategy embedded across the Group and Conduct Risk Baseline Guidance material provided	Feb-21	◑
17	Customer complaints	17.1 Design	Design the complaints reporting and define supporting data and system requirements	Dec-18	●
		17.2 Implement	Complaints reports tabled at ELT NFRC, BRCC and BU/SU NFRCs	Oct-19	●
		17.3 Embed	Regular complaints reporting to applicable forums that demonstrates BU/SUs are responding to complaints in a timely manner and addressing underlying issues	Dec-20 ⁴⁰	◑

⁴⁰ The due date for Milestone 17.3 was moved from June 2020 to December 2020 during the Reporting Period.

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Status
18	Systemic issues	18.1 Design	Develop the criteria and plan to enhance systemic issues identification and reporting	Dec-18	●
		18.2 Implement	Systemic issues insights are tabled at ELT NFR, BRCC and BU/SU NFRCs	Oct-19	●
		18.3 Embed	Regular reporting to ELT NFRC and BRCC on systemic issues	Sep-20 ⁴¹	🕒
21	'Should we'	21.1 Design	Articulate how references to expect customer outcomes will be incorporated into key Group policies	Jun-19	●
		21.2 Implement	Replication of Milestone 21.3	Jun-20 ⁴²	🕒
		21.3 Embed	Application of the 'should we' test in governance forums	Jun-20 ⁴³	🕒

8.1.2. Status of Customer Outcomes Theme Recommendations

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

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

During the Reporting Period:

- The Program submitted the Closure Pack for one Customer Outcomes Theme Recommendation (Recommendation 21) to Promontory. The Closure Pack was submitted before the relevant due date set out in the RAP.
- The Program was working on the three remaining Recommendation Closure Packs for this Theme.

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

⁴¹ The due date for Milestone 18.3 was moved from June 2020 to September 2020 during the Reporting Period.

⁴² The due date for Milestone 21.2 was moved from December 2020 to June 2020 during the Reporting Period.

⁴³ The due date for Milestone 21.3 was moved from December 2020 to June 2020 during the Reporting Period.

Table 8.2: Progress on Customer Outcomes Recommendations

#	Recommendation Description	Target State Description	Due Date	Progress
15	Conduct Risk Strategy	The Conduct Risk Strategy, as described in the Risk Management Approach, is fully embedded across the Group, including in key decision making processes and employee lifecycle management	May-21	
17	Customer complaints	The focus on customer complaints is elevated through regular reporting to the ELT NFRC and Board	Dec-20 ⁴⁴	
18	Systemic issues	Further system improvements to increase the use of data and analytics to drive insights on systemic issues are developed and implemented	Sep-20	
21	'Should we'	Championing the 'should we' question drives better customer outcomes by ensuring that decision-makers actively consider customer outcomes	Jun-20 ⁴⁵	

⁴⁴ The due date for Recommendation 17 was moved from September 2020 to December 2020 during the Reporting Period.

⁴⁵ The due date for Recommendation 21 was moved from May 2021 to June 2020 during the Reporting Period.

9. Culture, Capability and Consequences Theme Milestones

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

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

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

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

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

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

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

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

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

9.1. Status of Culture, Capability and Consequences Theme

9.1.1. Status of Culture, Capability and Consequences Theme Milestones

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

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

As noted in section 2.1, the Program added two new Milestones (Milestones 22.3a and 24b.2b) to this Theme during the Reporting Period as a result of the Second Foundational Review. Milestone 22.3a involves an annual review of the application of the Accountability Principles, including an update to the Principles themselves. Milestone 24b.2b relates to the actions arising from the Group Remuneration Policy effectiveness review.

During the Reporting Period:

- The Program submitted Closure Packs for nine Culture, Capability and Consequences Theme Milestones (Milestones 22.3a, 24b.2b, 25a.3, 25b.3, 26.3, 27.2b, 28.2b, 29.2b and 30.2b) to Promontory. The Closure Packs were submitted before the relevant due dates set out in the RAP.
- Promontory assessed five Culture, Capability and Consequences Theme Milestones (Milestones 13.1b, 24b.2, 27.2a, 28.2a and 29.2a) as complete and effective. The Closure Packs for these Milestones were submitted in the Sixth and Seventh Reporting Period.
- The Program was working on the one remaining Implement Milestone and 10 remaining Embed Milestones for this Theme.

At the Reporting Date, Promontory was assessing seven Culture, Capability and Consequences Theme Milestones (Milestones 25a.3, 25b.3, 27.2b, 28.2b, 29.2b, 30.2a and 30.2b), the Closure Packs for which were submitted in March, April and May 2020. Promontory was yet to start its review of three Culture, Capability and Consequences Theme Milestones (Milestones 22.3a, 24b.2b and 26.3), the Closure Packs for which were submitted in late June.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 29 of the 48 Culture, Capability and Consequences Theme Milestones had been assessed as complete and effective.

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

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
13	Resourcing	13.1 Design	Design the risk capability uplift plan	Mar-19	●
		13.1b Design	Design organisation-wide OR&C capability training plan	Mar-20	●
		13.2 Implement	Risk capability implemented	Jul-20	🕒
		13.3 Embed	Refresh of risk capability plans presented to ELT NFRC	Dec-20 ⁴⁶	🕒

⁴⁶ The due date for Milestone 13.3 was moved from February 2021 to December 2020 during the Reporting Period.

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

Eighth Report

July 2020

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
22	Accountability Principles	22.1 Design	Design plans to incorporate and communicate APRA's Accountability Principles into existing accountability frameworks and processes	Dec-18	
		22.2 Implement	Implement Accountability Principles via BEAR requirements, existing accountability frameworks and staff communication	Nov-19	
		22.3a Embed	Annual review of the application of the Accountability Principles	Jun-20	
		22.3b Embed	Failings of accountability consequences are reflected in key individuals' performance reviews and the remunerations and consequences outcomes for FY20	Dec-20 ⁴⁷	
23	Board governance of remuneration	23.1 Design	Develop plans for enhanced Board governance and processes for remuneration	Mar-19	
		23.2 Implement	Implement enhanced governance processes including increased reporting and review	Dec-19	
		23.3 Embed	Board PRC exercises stronger governance on CEO and GE remuneration outcomes	Dec-20	
24a	CRO assessment	24a.1 Design	Enhance the CRO assessment of CEO and GE risk scorecards	Jun-18	
		24a.2 Implement	Finalise enhanced CRO assessment of CEO and GE performance	Aug-18	
		24a.3 Embed	The Board uses further enhanced CRO assessment in determining appropriate CEO and GE remuneration outcomes	Aug-19	

⁴⁷ The due date for Milestone 22.3b was moved from October 2020 to December 2020 during the Reporting Period.

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

Eighth Report

July 2020

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
24b	Analytics and reporting	24b.1 Design	Develop plan for enhanced analytics and reporting on remuneration outcomes to be provided to the PRC	Jul-19	●
		24b.2 Implement	Improve analytics and reporting provided to Board	Dec-19	●
		24b.2b Embed	Evidence of outcomes and action arising from April 2020 Group Remuneration Policy effectiveness review	Jun-20	◐
		24b.3 Embed	Management provides analytics and reporting in line with Target State requirements	Dec-20 ⁴⁸	◑
24c	Board Risk Committee support	24c.1 Design	Develop co-ordinated approach for Board Committees to ensure that risk outcomes are reflected in CEO and GE remuneration	Mar-19	●
		24c.2 Implement	Co-ordination between BRCC, BAC and PRC and referral of key matters to and sharing of information with PRC	Oct-19	●
		24c.3 Embed	Annual remuneration review and allocation of Short-Term Variable Remuneration (STVR) payments under the new STVR model	Dec-20	◑
25a	Board guidance on risk adjustments	25a.1 Design	Strengthen guidance to management on the Board's expectations for risk adjustments to remuneration outcomes	Mar-19	●
		25a.2 Implement	Incorporate strengthened Board guidance into FY19 remuneration reviews	Aug-19	●
		25a.3 Embed	FY19 remunerations outcomes across all staff reflect Board guidance	Apr-20	◑

⁴⁸ The due date for Milestone 24b.3 was moved from February 2021 to December 2020 during the Reporting Period.

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

Eighth Report

July 2020

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
25b	Risk function support on risk adjustments	25b.1 Design	Design an enhanced approach for risk assessment that appropriately penalises or rewards risk and compliance outcomes	Mar-19	
		25b.2 Implement	New process in place to strengthen the role of the risk function in FY19 remuneration reviews	Aug-19	
		25b.3 Embed	FY19 remuneration outcomes across all staff analysed and reflect robust applications of the risk modifier	Apr-20	
25c	Communication of outcomes	25c.1 Design	Develop a communications mechanism and strategy to communicate the impact of both good and poor risk outcomes to CBA staff	Oct-18	
		25c.2 Implement	Communicate good and poor FY18 risk outcomes with the organisation	Nov-18	
		25c.3 Embed	FY19 risk and remuneration outcomes exhibit appropriate aggregation and anonymisation, and communications approach revised	Nov-19	
26	Remuneration framework review	26.1 Implement	Implement upside remuneration facility for positive risk assessment	Oct-18	
		26.2 Design	Review the Group Remuneration Policy, informed by better global practices	Jun-19	
		26.3 Implement	Reflect enhancements in FY19 remuneration outcomes	Jun-20	
		26.4 Embed	FY20 remuneration outcomes reviewed by PRC and shown through analysis to be consistent with the fully updated remuneration frameworks and policies	Dec-20 ⁴⁹	

⁴⁹ The due date for Milestone 26.4 was moved from November 2020 to December 2020 during the Reporting Period.

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

Eighth Report

July 2020

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
27	Culture of self-reflection	27.1 Design	Establish baselines and develop plans to uplift risk culture mindsets and behaviours with targeted initiatives on self-reflection	Mar-19	●
		27.2a Implement	Implement targeted interventions on senior leader capability, leadership diagnostics and performance assessment	Mar-20	●
		27.2b Implement	Refresh targeted interventions based on new insights	May-20	◐
		27.3 Embed	Embedding of target interventions and periodic monitoring of ongoing progress	Sep-20 ⁵⁰	◐
28	Personal and authentic leadership	28.1 Design	Establish baselines and develop plans to uplift risk culture mindsets and behaviours, with targeted initiatives on role-modelling by senior leaders	Mar-19	●
		28.2a Implement	Implement targeted interventions and annual re-assessment of leader-led training and senior leader communications	Mar-20	●
		28.2b Implement	Refresh targeted interventions based on new insights	May-20	◐
		28.3 Embed	Cross reference Milestone 27.3	Sep-20 ⁵¹	◐

⁵⁰ The due date for Milestone 27.3 was moved from February 2021 to September 2020 during the Reporting Period.

⁵¹ The due date for Milestone 28.3 was moved from February 2021 to September 2020 during the Reporting Period.

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
29	BU/SU relationships	29.1 Design	Establish baselines and develop plans to uplift risk culture mindsets and behaviours, with targeted initiatives on the relationship between business and risk functions	Mar-19	●
		29.2a Implement	Implement targeted interventions including Lines 1 and 2 engagement forums and career pathways	Mar-20	●
		29.2b Implement	Refresh targeted interventions based on new insights	May-20	◐
		29.3 Embed	Cross reference Milestone 27.3	Sep-20 ⁵²	◐
30	Vision and Values	30.1 Design	Establish baselines and develop plans to uplift risk culture mindsets and behaviours, with targeted initiatives on conduct and values	Mar-19	●
		30.2a Implement	Implement targeted interventions including communications, recognition, values performance assessment and HR processes	Mar-20	◐
		30.2b Implement	Refresh targeted interventions based on new insights	May-20	◐
		30.3 Embed	Cross reference Milestone 27.3	Sep-20 ⁵³	◐

9.1.2. Status of Culture, Capability and Consequences Theme Recommendations

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

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

⁵² The due date for Milestone 29.3 was moved from February 2021 to September 2020 during the Reporting Period.

⁵³ The due date for Milestone 30.3 was moved from February 2021 to September 2020 during the Reporting Period.

During the Reporting Period:

- Promontory assessed one Culture, Capability and Consequences Theme Recommendation (Recommendation 24a) as closed. The Closure Pack for this Recommendation was submitted in the Seventh Reporting Period.
- The Program was working on the 13 remaining Recommendation Closure Packs for this Theme.

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

Table 9.2: Progress on Culture, Capability and Consequences Recommendations

#	Recommendation Description	Target State Description	Due Date	Progress
13	Resourcing	The Group has an adequate number of OR&C Risk Professionals, with the right skill sets to support effective NFR management	Dec-20 ⁵⁴	
22	Accountability Principles	The Accountability Principles are incorporated for GEs, tailored and cascaded across the Group, and accountability frameworks embedded	Dec-20 ⁵⁵	
23	Board governance of remuneration	The PRC has the visibility, knowledge and expertise to challenge the Group and Executive remuneration process and its outcomes	Dec-20 ⁵⁶	
24a	CRO assessment	Formal, documented CRO risk assessment of the effectiveness of risk management within each GE's area of responsibility is provided to the PRC	Mar-20	
24b	Analytics and reporting	The PRC receives comprehensive reporting to enable assurance and challenge of the Group's remuneration outcomes	Dec-20 ⁵⁷	
24c	Board Risk Committee support	The PRC's approach to remuneration takes account of the full range of current and potential risks through coordination and support from the BAC and BRCC	Dec-20 ⁵⁸	

⁵⁴ The due date for Recommendation 13 was moved from May 2021 to December 2020 during the Reporting Period.

⁵⁵ The due date for Recommendation 22 was moved from February 2021 to December 2020 during the Reporting Period.

⁵⁶ The due date for Recommendation 23 was moved from March 2021 to December 2020 during the Reporting Period.

⁵⁷ The due date for Recommendation 24b was moved from May 2021 to December 2020 during the Reporting Period.

⁵⁸ The due date for Recommendation 24c was moved from March 2021 to December 2020 during the Reporting Period.

#	Recommendation Description	Target State Description	Due Date	Progress
25a	Board guidance on risk adjustments	The Board sets the tone from the top with clear expectations and comprehensive guidance and criteria on how adjustment to remuneration should be determined for positive or poor risk outcomes and behaviours	Nov-20	
25b	Risk function support on risk adjustments	Robust application of the risk assessment process, and the risk modifier supported by challenge from the Risk function to link risk outcomes with remuneration	Nov-20	
25c	Communication of outcomes	Internal and external transparency and communication of the remuneration impact of positive and poor risk outcomes reinforces the Group's culture expectations and accountabilities	Nov-20	
26	Remuneration framework review	All key remuneration frameworks and practices are reviewed and, where appropriate, aligned to better global practice	Dec-20 ⁵⁹	
27	Culture of self-reflection	Senior Leader demonstrate appreciation and capability for reflection, challenge and learning	Sep-20 ⁶⁰	
28	Personal and authentic leadership	Senior Leader capabilities are uplifted to enable role modelling of good risk management	Sep-20 ⁶¹	
29	BU/SU relationships	Relationships of mutual respect and open communication, between BU/SU and risk counterparts at all levels	Sep-20 ⁶²	
30	Vision and Values	The Group's refreshed Values set clear expectations for the ethical behaviours and pro-active action to deliver optimal outcomes	Sep-20 ⁶³	

9.2. Culture, Capability and Consequences Theme Milestone Assessment Outcomes

9.2.1. Assessment of Recommendation 13 Milestone

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

a) Milestone 13.1b

Milestone 13.1b (a Design Milestone) requires CBA to design an organisation wide OR&C capability training plan to drive risk capability uplift across the Group. This plan is to complement the training plan for OR&C professionals designed under Milestone 13.1.

CBA confirmed and provided evidence that:

- it has developed an OR&C capability training plan to increase understanding of OR&C fundamentals across four Learning Outcomes; and
- the ELT has endorsed the training plan and implementation approach.

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

- the intended audience of the training and communication;
- the level of detail planned for OR&C content and the extent to which CBA will leverage content developed for OR&C professionals;
- feedback mechanisms as part of effectiveness evaluations; and
- the role of Line 2 in developing or reviewing OR&C content.

Based on our assessment of the Milestone Closure Pack and the additional information we received, we concluded that CBA has designed an appropriate organisation-wide OR&C capability training plan that will drive risk capability uplift across the Group.

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

9.2.2. Assessment of Recommendation 24b Milestone

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

- the appropriateness of BU/SU variations in risk reduction;
- links between consequences and remuneration outcomes; and

⁵⁹ The due date for Recommendation 26 was moved from February 2021 to December 2020 during the Reporting Period.

⁶⁰ The due date for Recommendation 27 was moved from May 2021 to September 2020 during the Reporting Period.

⁶¹ The due date for Recommendation 28 was moved from May 2021 to September 2020 during the Reporting Period.

⁶² The due date for Recommendation 29 was moved from May 2021 to September 2020 during the Reporting Period.

⁶³ The due date for Recommendation 30 was moved from May 2021 to September 2020 during the Reporting Period.

- Remuneration Policy effectiveness, and the application of the risk modifier and values assessment.

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

a) Milestone 24b.2

Milestone 24b.2 (an Implement Milestone) requires more comprehensive analysis, addressing each of the elements of the Target State, to be provided to the PRC in order to support effective oversight of the remuneration framework.

CBA has confirmed and provided evidence that the PRC has received reporting with enhanced analytics in line with the prototype template we reviewed in our assessment of the Design Milestone for this Recommendation, and that the reporting covered each element of the Target State. The PRC has provided feedback to management on the reporting.

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

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

- the PRC's feedback to management; and
- additional relevant analysis being developed for the PRC's consideration as part of the Group Remuneration Policy effectiveness review.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that CBA has implemented an appropriate approach to providing the PRC with the analytics and reporting needed to challenge risk and remuneration outcomes.

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

In finalising our assessment, we foreshadowed that our assessment of the Embed Milestone for this Recommendation will consider progress made on improvements to data and systems to support deeper analysis of remuneration outcomes and policy effectiveness.

9.2.3. Assessment of Recommendation 27 Milestone

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

a) Milestone 27.2a

Milestone 27.2a (an Implement Milestone) is one of four closely linked Milestones (Recommendations 27 to 30) intended to shift mindsets and behaviours.

Common to each of Milestones 27.2a to 30.2a is the requirement for a re-assessment of risk culture progress against the baseline and to implement targeted interventions relevant to the Target State of the

Recommendation, as part of a comprehensive cultural change roadmap. Periodic monitoring of ongoing progress is also required.

This Milestone requires: implementation of targeted interventions in relation to developing senior leader capability for reflection, challenge and learning; completion of leadership diagnostics; and assessment of leader performance against values and behavioural expectations.

CBA has confirmed and provided evidence that:

- the annual Group Risk Culture Assessment has been conducted by the BRCC, with the assessment including progress against risk culture metrics established in the 2019 baseline assessment; in addition, senior leader capability sessions have been implemented as part of the Leadership Development Pathway;
- senior leaders have completed Interim and Annual FY19 performance assessments, including an assessment against values and behavioural expectations;
- a Leadership 360-degree capability assessment has been deployed to obtain feedback on senior leaders from peers, teams, and BU/SU counterparts;
- feedback from these interventions has informed iterative development of the interventions and will continue to inform future interventions as part of Horizon 3 of the Roadmap; and
- comprehensive evaluation exercises on a number of these interventions have been conducted, with evaluation insights published quarterly.

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

- evidence of consequences applied for poor performance against Values Expectations;
- how the performance assessment process supported the assessment of Values Expectations;
- the extent of ELT and BRCC discussion and challenge at the Risk Culture Assessment workshops; and
- periodic monitoring of progress by the ELT and Board.

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

- adequately re-assessed risk culture progress against the baseline;
- monitored and evaluated ongoing progress; and
- implemented appropriate interventions for its senior leaders to develop and demonstrate capability for reflection, challenge and learning.

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

9.2.4. Assessment of Recommendation 28 Milestone

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

a) Milestone 28.2a

Milestone 28.2a (an Implement Milestone) is one of four closely linked Milestones (Recommendations 27 to 30) intended to shift mindsets and behaviours.

This Milestone requires implementation of targeted interventions in relation to leader-led training and communications.

CBA confirmed and provided evidence that Senior leaders have:

- received guidance to support communication to, and training of, their teams;
- personally cascaded clear messages to their teams on expectations; and
- received feedback in relation to their communication and training skills.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 28.1 in relation to assessing senior leader capability to cascade the desired tone at the top in a personal and authentic manner. CBA is using a third-party 360 feedback tool that includes six questions relating to communication skills.

After reviewing the Closure Pack for this Milestone, Promontory requested and received further information on matters including reviewing a sample of communications of Senior leaders personally cascading the desired tone at the top.

Based on our assessment of the Milestone Closure Pack and the additional information we received, we concluded that CBA has implemented leader-led training to uplift senior leader capabilities in relation to the elements of the Target State and is monitoring senior leader performance at an individual and aggregate level.

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

In finalising our assessment, we foreshadowed that our assessment of the Embed Milestone for this Recommendation will consider CBA's response to the findings of evaluations of specific activities under this Milestone.

9.2.5. Assessment of Recommendation 29 Milestone

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

a) Milestone 29.2a

Milestone 29.2a (an Implement Milestone) is one of four closely linked Milestones (Recommendations 27 to 30) intended to shift mindsets and behaviours.

This Milestone requires CBA to implement interventions designed to improve the Line 1 and Line 2 working relationship.

CBA confirmed and provided evidence that:

- three forums have taken place on building relationships of mutual respect and open communication between BU/SUs and risk counterparts; and
- the effectiveness of the forums was assessed and a revised approach has replaced the forums with focused content and material delivered via existing BU/SU and Group-wide activities.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 29.1 in relation to the adequacy of information cascaded from the forum into the BU/SUs. CBA has provided evidence of communications from leaders to their individual BU/SUs reporting forum discussions and setting out expectations regarding the business and Line 2 working relationship.

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

- the governance and design of the revised approach noted above; and
- how the relationships between BU/SUs and Group Risk/Compliance are being monitored and supported.

Based on our assessment of the Milestone Closure Pack and the interviews we conducted we concluded that:

- CBA has implemented interventions designed to improve the Line 1 and Line 2 working relationship; and
- there is evidence of focus on the Line 1 and Line 2 relationship with a new emphasis on establishing a collaborative and consultative approach between CCOs and risk functions, both centrally and within BU/SUs.

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

9.3. Culture, Capability and Consequences Theme Recommendation Assessment Outcomes

9.3.1. Assessment of Recommendation 24a

This was the first Recommendation closed by Promontory.

Our approach to assessing this, and all subsequent, Recommendations is to consider whether at the time of assessment:

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

The Target State for Recommendation 24a is to support the effective oversight of the remuneration framework with:

- formal, documented CRO risk assessment of the effectiveness of risk management within each Executive Leader's area of responsibility;
- specific recommendations on risk matters for the PRC to consider in determining individual executive remuneration outcomes, based on their individual performance and risk outcomes; and
- quantitative data to inform the BRCC and PRC on the application, appropriateness and effectiveness of the risk assessment and consequence processes.

The CRO risk assessment is presented to the Board Concurrent Meeting⁶⁴ twice per year and includes comprehensive commentary on each executive's risk behaviours and outcomes. The assessment includes a recommended risk assessment rating and, where applicable, STVR reduction. The assessment is informed by and provides the Board with visibility over quantitative risk data for the CEO and each Executive Leader.

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

- clearly defined processes in relation to each element of the Target State;
- controls designed to support and ensure the processes continue on an ongoing basis;
- monitoring and testing of controls, and reporting and escalation when control deficiencies are identified; and
- clear accountability for the sustainability process.

Promontory therefore considers that:

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

⁶⁴ The Board Concurrent Meeting refers to the joint meeting of the PRC, the BRCC, BAC and the Board Nominations Committee.

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

Promontory considers the Recommendation to be closed.

10. Program Execution Theme Milestones

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

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

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

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

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

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

10.1. Status of Program Execution Theme

10.1.1. Status of Program Execution Theme Milestones

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

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

During the Reporting Period:

- The Program submitted a Closure Pack for one Program Execution Theme Milestone (Milestone 11.3) to Promontory. The Closure Pack was submitted before the relevant due date set out in the RAP.
- Promontory assessed two Program Execution Theme Milestones (Milestone 11.3 and 35.1b) as complete and effective. The Closure Packs for these Milestones were submitted in the Seventh and Eighth Reporting Periods.
- The Program was working on the two remaining Implement Milestones and eight remaining Embed Milestones for this Theme.

At the Reporting Date, Promontory was assessing one Program Execution Theme Milestone (Milestone 35.2a), the Closure Pack for which was submitted in March 2020.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, 16 of the 27 Program Execution Milestones had been assessed as complete and effective.

Table 10.1: Progress on Program Execution Theme Milestones

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
11	Risk in Change	11.1 Design	Revise Risk in Change practices to strengthen the role of Line 2	Jul-19	●
		11.2 Design	Develop BU/SUs plans to implement the revised Risk in Change methodology, and update the Line 2 assurance program	Sep-19	●
		11.3 Implement	BU/SUs implement Risk in Change methodology	Apr-20	●
		11.4 Embed	BU/SUs have demonstrated effectiveness of Risk in Change in core processes as evaluated by Line 2	Aug-20 ⁶⁵	🕒
20	Investment prioritisation	20.1 Design	Revise the CIP in relation to risk and regulatory projects	Dec-18	●
		20.2 Implement	Develop quarterly ELT dashboard on investment allocation	Nov-19	●
		20.3 Embed	CIP cycle completed having incorporated new process and with new reporting on emerging risk and pre-emptive risk investment	Jul-20 ⁶⁶	🕒

⁶⁵ The due date for Milestone 11.4 was moved from September 2020 to August 2020 during the Reporting Period.

⁶⁶ The due date for Milestone 20.3 was moved from December 2020 to July 2020 during the Reporting Period.

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

Eighth Report

July 2020

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
31	Skin in the game	31.1 Design	Define changes to the CBA GDF to require CBA delivery leads to have appropriate skills and experience, and with KPIs/objectives tied to successful program delivery	Sep-18	●
		31.2 Implement	Identify programs that require senior leaders to perform a lead role and update KPIs	Dec-18	●
		31.3 Embed	Performance Reviews of Bear Accountable Executives, sponsors and delivery leads reflect delivery KPI allocations	Nov-20	🕒
32	Consequences	32.1 Design	Define changes to the GDF in relation to remuneration outcomes reflecting delivery requirements and accountabilities	Mar-19	●
		32.2 Implement	Update KPIs for relevant staff to reflect delivery requirements and standards	Nov-19	●
		32.3 Embed	Refer to Milestone 31.3	Nov-20	🕒
33a	Organisation capacity	33a.1 Design	Define resourcing and technology needs to support delivery of the 35 APRA Recommendations	Sep-18	●
		33a.2 Implement	BU/SU Better Risk Outcomes Program resource forecasting process defined	Mar-19	●
		33a.3 Embed	Regularly review BU/SU resource forecasting	Jul-20 ⁶⁷	🕒
33b	Organisation capacity	33b.1 Design	Design 'capacity' prioritisation processes and guidelines to assist with program decisioning	Nov-18	●
		33b.2 Implement	Stop or defer existing Programs as directed by ELT and reallocate funding to delivery of Recommendations	Dec-18	●
		33b.3 Embed	Regularly consider in line with the CIP process the need to stop Programs in flight	Jul-20 ⁶⁸	🕒

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
34	Project disciplines and review	34.1 Design	Enhance the GDF to ensure it is fit for purpose for all Programs in the Group	Dec-18	
		34.2 Implement	Implement enhanced GDF	Jul-20	
		34.3 Embed	Regularly consolidate a Program status view of all CIP endorsed Programs	Sep-20 ⁶⁹	
35	Embedding project framework	35.1a Design	Deliver Sustainability Plan template, Recommendation Closure approach and Recommendation Groupings	Mar-20	
		35.1b Design	All Design Milestones are assessed as effective	Mar-20	
		35.2a Implement	Develop Recommendation Grouping Sustainability Plans and define Implementation Plans	Mar-20	
		35.2b Implement	Implement Milestones are assessed as effective	Dec-20	
		35.3 Embed	Embed Milestones assessed as effective	Feb-21 ⁷⁰	

10.1.2. Status of Program Execution Theme Recommendations

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

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

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

⁶⁷ The due date for Milestone 33a.3 was moved from December 2020 to July 2020 during the Reporting Period.

⁶⁸ The due date for Milestone 33b.3 was moved from June 2020 to July 2020 during the Reporting Period.

⁶⁹ The due date for Milestone 34.3 was moved from November 2020 to September 2020 during the Reporting Period.

⁷⁰ The due date for Milestone 35.3 was moved from March 2021 to February 2021 during the Reporting Period.

Table 10.2: Progress on Program Execution Recommendations

#	Recommendation Description	Target State Description	Due Date	Progress
11	Risk in Change	A standard methodology for Risk in Change is implemented across the Group, with Line 1 applying the methodology consistently, supported by 'approve or accept' from Line 2	Aug-20 ⁷¹	
20	Investment prioritisation	The Group's CIP provides a more balanced view of risk considerations which will promote greater consideration of emerging risks, resilience issues, and risk outcomes	Jul-20 ⁷²	
31	Skin in the game	GEs allocate Delivery Leads with the appropriate skills and experience to lead CIP endorsed Programs	Nov-20 ⁷³	
32	Consequences	Remuneration outcomes for leaders of CIP Programs will be aligned and adequately reflect formal assessment of successful Program delivery	Nov-20 ⁷⁴	
33a	Organisation capacity	The Group ensures sufficient resources are made available to ensure the prioritisation of the APRA Recommendations through to successful delivery	Jul-20 ⁷⁵	
33b	Organisation capacity	The Group ensures sufficient resources are made available to ensure the prioritisation of the APRA Recommendations through to successful delivery	Jul-20 ⁷⁶	
34	Project disciplines and review	Consistent application of the updated GDF with identification of non-adherence readily identifiable and appropriate consequence management applied	Sep-20 ⁷⁷	
35	Embedding project framework	In-scope businesses have aligned to RAP outcomes, as designed and iterated, and have effectively embedded these into day-to-day operations	Jun-21	

10.2. Program Execution Theme Milestone Assessment Outcomes

10.2.1. Assessment of Recommendation 11 Milestone

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

a) Milestone 11.3

Milestone 11.3 (an Implement Milestone) requires BU/SUs to have completed major implementation plan activities.

CBA confirmed and provided evidence that:

- two checkpoint reports were produced by each BU/SU to summarise their progress in implementing their agreed Risk in Change plans;
- the checkpoint reports included commentary of progress, issues encountered, a summary from the BU/SU CCO and a review and observations from the BU/SU CRO;
- at the time of the second checkpoint report, no material gaps in implementation were noted by any CCO or CRO in relation to any BU/SU;
- minutes from the ELT meeting record that the ELT noted the Risk in Change status update; and
- the BU/SU checkpoint reports and the note to the ELT provided Line 1 and Line 2 'RAG' status assessments of readiness to comply with the Risk in Change Standard. A number of BUs were assessed as Amber 'readiness' by at least one of Line 1 or Line 2. A common driver of the Amber rating appears to be concerns about whether there is adequate ongoing resource capacity to continue execution of Risk in Change procedures.

Based on our assessment of the Milestone Closure Pack we concluded that CBA had followed through on defined implementation plans in relation to Risk in Change. It has demonstrated progress made, the role of Line 2 and endorsement of current status by ELT.

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

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

- samples of a number of Risk in Change cases for each BU/SU and walk-throughs of the approach in place;
- evidence of the Risk in Change methodology being followed;

⁷¹ The due date for Recommendation 11 was moved from December 2020 to August 2020 during the Reporting Period.

⁷² The due date for Recommendation 20 was moved from March 2021 to July 2020 during the Reporting Period.

⁷³ The due date for Recommendation 31 was moved from February 2021 to November 2020 during the Reporting Period.

⁷⁴ The due date for Recommendation 32 was moved from February 2021 to November 2020 during the Reporting Period.

⁷⁵ The due date for Recommendation 33a was moved from March 2021 to July 2020 during the Reporting Period.

⁷⁶ The due date for Recommendation 33b was moved from September 2020 to July 2020 during the Reporting Period.

⁷⁷ The due date for Recommendation 34 was moved from February 2021 to September 2020 during the Reporting Period.

- examples of effective application of the methodology; and
- evidence of Line 2 review of Line 1 Risk in Change decision-making processes.

10.2.2. Assessment of Recommendation 35 Milestone

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

b) Milestone 35.1b

Milestone 35.1b (a Design Milestone) requires that all Design Milestones are assessed as complete and effective.

CBA confirmed and provided evidence that all but three Design Milestones had been assessed as complete and effective. As noted in the sections above, Promontory closed the remaining three Design Milestones during the Reporting Period, thereby closing all outstanding Design Milestones

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

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



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