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

Seventh Report

30 April 2020

PROMONTORY
an IBM Company

*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 seventh report (**Seventh 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 January 2020 to 31 March 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

Definitions

3LoA	Three Lines of Accountability
AHL	Aussie Home Loans
APRA	Australian Prudential Regulation Authority
BAC	Board Audit Committee
BAU	Business-as-usual
BDGF	BU/SU Delivery Governance Forum
BEAR	Banking Executive Accountability Regime
BPB	Business & Private Banking
BRCC	Board Risk and Compliance Committee
BROP	Better Risk Outcomes Program
BU/SUs	Business Units and Support Units
CAP	Control Assurance Program
CBA	Commonwealth Bank of Australia
CCO	Chief Controls Officer
Central RAP Team	The central team that manages the Program
CEO	Chief Executive Officer
CIP	Change Investment Process
CMLA	Colonial Mutual Life Assurance
CRO	Chief Risk Officer
EGM	Executive General Manager
ELT	Executive Leadership Team
ES	Enterprise Services
EU	Enforceable Undertaking
Fifth Report	Promontory's fifth report dated 31 October 2019
First Report	Promontory's first report dated 28 September 2018
Foundational Review 2.0	A further Foundational Review to follow the review conducted in the second half of 2019
Fourth Report	Promontory's fourth report dated 31 July 2019
FS	Financial Services
GA&A	Group Audit and Assurance

GDF	Group Delivery Framework
GE	Group Executive
GM	General Manager
HR	Human Resources
IB&M	Institutional Banking and Markets
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
Inquiry Report	The Prudential Inquiry into the Commonwealth Bank of Australia (CBA) Final Report
IMF	Interdependencies Management Forum
IPP	Investment Prioritisation Process (now called CIP)
KPI	Key Performance Indicator
MCA	Marketing & Corporate Affairs
NFR	Non-Financial Risk
NFRC	Non-Financial Risk Committee
ODCEO	Office of the Deputy CEO
OR&C	Operational Risk and Compliance
Pandemic	COVID-19 Pandemic
PDMF	Planning and Dependencies Management Forum
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 and 31 January 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
RBS	Retail Banking Services
RGF	RAP Governance Forum
Reporting Date	31 March 2020

Reporting Period	1 January 2020 to 31 March 2020
RM	Risk Management
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
SME	Subject Matter Expert
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 seventh report (**Seventh 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**) and 31 January 2020 (**Sixth Report**)[1].

The Seventh 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 January 2020 and 31 March 2020 (the **Reporting Period**). The status of RAP Milestones is reported as at 31 March 2020 (the **Reporting Date**).

Since signing the EU, CBA has made solid progress in executing the RAP. At the Reporting Date, 104 (out of a total of 175[2]) Milestones had been closed. 16 Milestones were being assessed by Promontory. Work was underway by CBA on a further 43 Milestones.

During the Reporting Period, we continued to observe many of the characteristics of successful risk remediation programs, as described in our Previous Reports. The Board and Executive Leadership Team (**ELT**) continued to provide strong oversight over and engagement with the Program. Program design continued to evolve with the development of CBA's approach to Recommendation Closure. Assurance oversight continued to mature, with both Line 2 and Line 3 undertaking reviews of how key aspects of the Program are being delivered.

Good progress has been made in building on the foundations developed for effective governance of NFR management, with key Board Governance and Management Governance Embed Milestones being assessed by us as complete and effective. Of particular note in our assessment of these Milestones, was the solid evidence that the Operational Risk and Compliance (**OR&C**) functions now have a significantly greater stature at Group level than that described in the *Prudential Inquiry into the Commonwealth Bank of Australia (CBA) Final Report (*the ***Inquiry Report)***. The Program has continued to strengthen the way change is delivered through the Drop Process. Interdependencies between the RAP and other Critical Risk Programs are now being managed through the Interdependencies Management Forum (**IMF**).

There was also emerging evidence of the cultural aspirations of the RAP being realised. There were a number of good examples of the 'should we' question being applied in the Business Unit and Support Unit (**BU/SU**) Non-Financial Risk Committees (**NFRCs**) we observed. Active self-reflection, constructive challenge and sound awareness of Non-Financial Risks (**NFRs**) among BU/SU leaders was also evident.

The early signs are that good progress is also being made in building key enhancements to NFR management processes. An improved focus on issues and complaints management was evident in the Milestones we assessed as complete and effective during the Reporting Period. Nonetheless, significant work remains, particularly in relation to enhancements to risk and control assessment processes.

The positive trajectory evident early in the Reporting Period was seriously challenged by the emergence and intensification of the COVID-19 Pandemic (the **Pandemic**) in the last month of the Reporting Period and since the Reporting Date, with Program status moving to 'Red' shortly after the Reporting Date. Risk resources

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[1] Promontory's First, Second, Third, Fourth, Fifth and Sixth Reports are available here, here, here, here, here and here respectively.

[2] 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.

actively engaged in delivering the RAP were redirected to responding to the Pandemic. Senior management attention, critical to directing and leading delivery of the RAP, was redirected to focus on responding to the impact of the Pandemic on the Group, its customers and stakeholders, and the Government measures to address those impacts.

These events have challenged CBA to reflect on whether and what changes are needed to the RAP. This challenge is complicated by great uncertainty about the impact and likely duration of the Pandemic.

The RAP was being reviewed in the context of the Pandemic as this Report was being prepared. The early thinking was to focus the Program on those elements of the NFR management framework which 'matter most' and to deliver other elements currently in the RAP through 'business-as-usual (**BAU**) measures', including through Sustainability Plans.

CBA should derive some comfort in conducting this review from the fact that much has been achieved to date supported by the development and application of sound project management and governance practices and disciplines.

CBA must, however, work to ensure that the benefits of the Program to date – particularly the solid foundations evident in Program design – are neither lost nor compromised and that the work building on that foundation continues in key areas.

As we have highlighted in the past, these changes, once sustainably embedded, will equip CBA with the ability to manage NFRs significantly more effectively, and to prevent the kind of incidents that led to the APRA Inquiry from occurring again.

Program Progress

The Program remained on-track at the Reporting Date, with all 175 Milestones either delivered to Promontory or on schedule to be delivered by the due dates set out in the RAP[3].

The Program has completed all design activity. By the Reporting Date:

- CBA had submitted Milestone Closure Packs to Promontory evidencing completion of work on all 57 Design Milestones[4] (three of which were received during the Reporting Period).

- Based on a review of Closure Packs, other documents and interviews with key stakeholders, Promontory had assessed a total of 54 Design Milestones as complete and effective (two of which were assessed during the Reporting Period).

- We had not yet completed our assessment of three Design Milestone (two of which were delivered at the end of the Reporting Period).

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[3] Milestones 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 as set out in the RAP, or, in relation to Milestones 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.

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

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

- CBA had started, or completed work, on 66 (of 68) Implement Milestones.

- CBA had submitted Milestone Closure Packs to Promontory evidencing completion of work on 52 Implement Milestones (seven 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 42 Implement Milestones as complete and effective[5] (14 of which were assessed during the Reporting Period).

- We had not completed our assessment of nine Implement Milestones (seven of which were delivered at the end of the Reporting Period).

The Program focus continued to shift to the Embed Milestones during the Reporting Period. By the Reporting Date:

- CBA had started or completed work on 40 (of 50) Embed Milestones.

- CBA had submitted Milestone Closure Packs to Promontory evidencing completion of work on 11 Embed Milestones (three of which were received during the Reporting Period).

- Based on a review of Closure Packs, other documents and interviews with key stakeholders, Promontory had assessed seven Embed Milestone as complete and effective (six of which were assessed during the Reporting Period).

- We had not completed our assessment of four Embed Milestones (three 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. Through the Program to date, we have foreshadowed, in relation to a total of 73 Milestones (17 of which were closed during the Reporting Period), our intention to focus on particular design features, approaches to implementation or sustainability measures when assessing related Milestones or Recommendation Closure.

Program progress by Theme is set out in Table 1.

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[5] 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.

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	4	0	0	16	**20**
Management Governance	0	0	3	0	16	**19**
Operating Model (3LoA)	1	1	1	1	7	**11**
Risk Appetite, Taxonomy and Standards	2	6	0	2	10	**20**
Accountability and Controls Delivery	0	6	1	0	7	**14**
Customer Outcomes	1	5	0	0	10	**16**
Culture, Capability and Consequences	5	13	5	1	24	**48**
Program Execution	3	8	2	0	14	**27**
TOTAL	**12**	**43**	**12**	**4**	**104**	**175**

Risks and Challenges

As CBA reviews and revises the RAP in the context of the Group's response to the Pandemic and agrees next steps, it should not lose sight of the challenges identified in a number of our Previous Reports to implementing Program outcomes.

Those challenges will continue once the RAP is revised.

Ensuring simplicity and practicality in revisions to the RAP and how it will be implemented will continue to be a challenge. The Program should continue to progress initiatives focused on ensuring the simplicity and practicality of the changes it is making.

Ensuring consistency will also continue to be a challenge. It is clear that a number of BUs/SUs are well progressed in achieving the outcomes sought by the RAP. Others, however, have some way to go. CBA should not lose sight of the need to ensure work continues apace and, as far as practical, to align NFR management practices across all businesses, irrespective of how the RAP is revised.

Ensuring sustainability will also continue to be a significant challenge. The refinement of Sustainability Plans should be given high priority. The frameworks and processes they embody will be critical to ensuring the changes the Program delivers 'stick and stay'. Sustainability Plans should be operationalised as a matter of priority.

The effective management of interdependencies between the RAP and other Critical Risk Programs should also be a continued area of focus in the context of CBA responding to the Pandemic.

CBA must also work to ensure that each of the elements identified in our Previous Reports as having contributed to Program success to date continue to be applied to meeting these challenges.

The Board must ensure it continues its active and genuine commitment to and engagement with the Program.

Group Executives (**GEs**), similarly, must ensure once changes are made to the RAP that implementation continues to be given priority, and that progress in embedding the RAP continues to be closely monitored and supported. GEs must also communicate that the outcomes of the review have not changed the longer term objectives of the RAP and its benefits to CBA, its customers and stakeholders.

The Central RAP Team must continue to play a key role not only in driving the Program to completion within the ambitious timeframes envisaged by the RAP as revised, but in working with BU/SU leaders to ensure the Program is implemented and embedded consistently and sustainably across the Group.

The Chief Controls Officers (**CCOs**) and their teams should continue to work closely with their BU/SUs through each Drop, clearly communicating not only the detail of and reasons for changes to the RAP but why the changes are being made and their benefit to CBA, its customers, the community and other stakeholders. The Group CCO should also continue his good work to date in supporting and driving the CCO network.

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 *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 Milestones[6] 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 Seventh Report. It covers the period 1 January 2020 to 31 March 2020 (the **Reporting Period**). The status of Milestones and other Program developments are reported as at 31 March 2020 (the **Reporting Date**).

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

Figure 1.1: Timeline of Report Delivery and Reporting Periods[7]
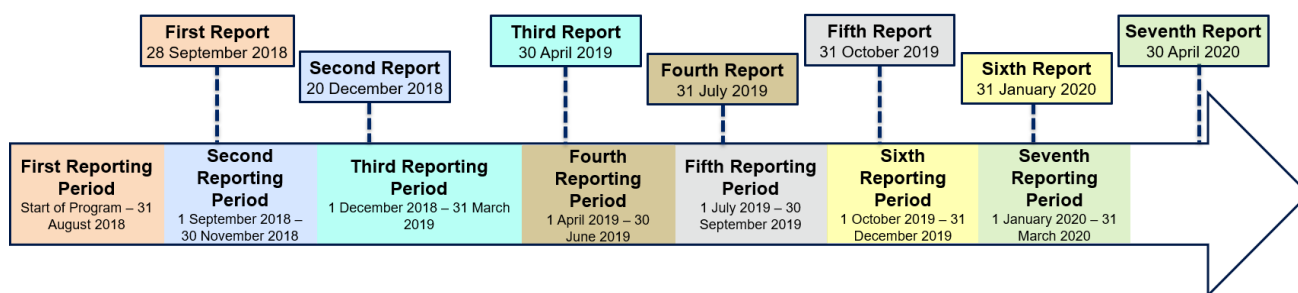
Further detail about the background to our engagement is set out in Chapter 1 of the First Report.

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[6] Milestones are the actions CBA intends to take to address the Inquiry's Recommendations.

[7] 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 Themes[8]. The Program is managed by a central team (the **central RAP team**) supported by a network of Execution Leads, BU/SU CCOs and other staff across CBA.

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

As initially designed, the RAP contemplated 154 Milestones. Two additional Milestones were added during the Third Reporting Period, 17 were added during the Sixth Reporting Period and two were added during this Reporting Period[9]. There are now 175 Milestones.

During this Reporting Period, a number of other changes were made to the RAP. In particular, changes were made to due dates for four Milestones, six Recommendation Closure Dates and other aspects of 13 Milestones (including changes in the wording of Closure Criteria and changes in Execution Leads). Promontory endorsed each of the changes.

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

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[8] No Milestones have been assigned to this work stream.

[9] Milestones 15.4a and 35.2b were added during the Reporting Period. The details of these changes is set out in Chapters 8 and 10 respectively.

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								
	Board Governance	Management Governance	Operating Model (3LoA)	Risk Appetite, Taxonomy & Standards	Accountability and Controls Delivery	Customer Outcomes	Culture, Capability & Consequences	Program Execution	Total
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	7	2	18
September 2020	0	0	0	2	2	0	1	2	7
December 2020	3	0	2	1	1	1	4	6	18
March 2021	0	0	0	2	1	2	6	1	12
TOTAL	**20**	**19**	**11**	**20**	**14**	**16**	**48**	**27**	**175**

The number of Closure Packs in relation to Recommendation Closure now due for delivery to Promontory by the Reporting Date for each future 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 Closures 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	2	1	0	0	0	0	0	4
September 2020	0	1	0	1	2	2	0	1	7
December 2020	0	1	0	1	0	0	3	1	6
March 2021	3	0	1	0	0	1	4	5	14
June 2021	0	0	0	2	1	1	6	1	11
TOTAL	5	5	2	4	3	4	14	8	45

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 by reviewing Program status reports to understand project delivery risks and issues.

For the first two months of the Reporting Period, our activities entailed attending CBA's premises and physical participation in and face-to-face observation of meetings. From early March onwards, our participation in these meetings was generally remote, as a result of changes in work practices necessitated by the Pandemic.

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:

- two monthly meetings of the RAP Governance Forum (**RGF**);
- two monthly meetings of the BU/SU Delivery Governance Forum (**BDGF**);

- two monthly meetings of the Planning and Dependencies Management Forum (**PDMF**); and

- two weekly meetings of the Cross-Stream Scrum.

We also attended, as observers, meetings of the NFRCs of the Institutional Banking & Markets (**IB&M**), Retail Banking Services (**RBS**), Office of the Deputy Chief Executive Office (**ODCEO**), Enterprise Services (**ES**) Human Resources (**HR**), Financial Services (**FS**), and Legal and Group Governance BU/SUs. We attended meetings of the Business & Private Banking (**BPB**), Risk Management (**RM**) and Marketing & Corporate Affairs (**MCA)** NFRCs after the Reporting Date. We attended these meetings with a view to understanding the progress being made in cascading the outcomes of the RAP into each BU and SU.

We participated in the following briefings and updates which, from early March onwards, were generally conducted remotely:

- A meeting with the Chief Executive Officer (**CEO**) to discuss Program progress and several Management Governance Theme Milestones.

- Attendance at a meeting of the ELT to present and discuss the findings of the Sixth Report.

- A reflections session, with members of the Central RAP Team, BU/SU CCOs and CROs, and Execution Leads, to reflect on our experiences during the previous reporting periods and to identify improvements in how we engage with both the Central RAP Team and BU/SUs. This was the fifth such session in which we participated.

- Deep dive sessions with the GEs and CCOs of HR and FS on their approach to, and progress in, implementing the RAP in their SU. These were followed, after the Reporting Date by separate deep dive sessions with the Chief Risk Officer (**CRO**) of both SUs about their view on implementation of the RAP.

- Three meetings with Group Audit and Assurance (**GA&A**), in which their observations on Program management and their forward audit plans were discussed.

- 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;

    ○ proposals to conduct a second Foundational Review of the RAP; and

    ○ Program-related communications.

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

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

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

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

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

Of the 22 Milestones closed during the Reporting Period, in 17 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 stages associated with the Recommendation.

Through the Program, we have taken an average of 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 involved extensive discussion and clarification, and the creation of additional Milestones before we assessed the Milestone as complete and effective) took just under 28 weeks (for Milestone 12d.2 as described in our Sixth Report).

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 challenge.

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 or Recommendation has been completed and assessed by Promontory as effective
⦷	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 progress for each Program Theme and describe the outcomes of the Milestone assessments we completed during the Reporting Period.

2.   Program Developments

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

The Program continued to make sound progress in moving through the implementation phase to the embed phase.

Steps were also taken to progress the development of Sustainability Plans for each Recommendation. These Plans are designed to ensure that Target States, once achieved, continue after the Program ends. Toward the end of the Reporting Period, the Program submitted the first Recommendation Closure Packs.

CBA's commitment to delivery of the Program was challenged late in the Reporting Period by the Pandemic and the measures the Group was putting in place to address the Pandemic's impact on the Group's customers and stakeholders. Although there was no immediate impact on delivery of Closure Packs for Milestones during the Reporting Period, the reallocation of resources in Line 1 and Line 2 to Pandemic related activity may affect the Program's ability to deliver Milestones of an appropriate quality and standard in future reporting periods.

The Program was working proactively to understand and address the risks posed by the Pandemic.

As the Reporting Period ended, the Program was considering changes to the design, content and delivery of the RAP necessitated by the Group's response to the Pandemic. This was being done as part of a planned further Foundational Review of the Program.

CBA must work to ensure that, the Pandemic notwithstanding, the Program remains focussed on ensuring **core** enhancements to CBA's NFR management framework identified in the *Inquiry Report* continue to be delivered as envisaged by the RAP. This will require CBA to make difficult, but necessary, decisions about what in the Program, as currently designed, should be prioritised to achieve the outcomes the Program has sought to realise in a rapidly changing and uncertain environment.

As it moves to embed key Milestones and close Recommendations that go to the heart of CBA's future approach to NFR management, CBA should continue to remain vigilant in ensuring consistent and sustainable execution of the Program.

This Chapter provides 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 13 Milestones:

- The Closure Pack for one Milestone (a Design Milestone) was submitted in late February 2020.

- Closure Packs for 12 Milestones (two Design Milestones, seven Implement Milestones and three Embed Milestones) were submitted in late March 2020.

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

At the Reporting Date:

- The Program had completed work on all Design Milestones.

- The Program was working on 14 other Implement Milestones and 29 other Embed Milestones.

- Work had yet to start on two Implement Milestones and ten Embed Milestones.

During the Reporting Period, Promontory assessed 22 Milestones (two Design Milestones, fourteen Implement Milestones and six Embed Milestones) as complete and effective. The Closure Packs for these Milestones were submitted in the Fifth, Sixth and Seventh Reporting Periods.

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

- three were Board Governance Theme Milestones (Milestones 1.4, 2.2 and 5.2)[10];

- three were Management Governance Theme Milestones (Milestones 6.3, 7.5 and 14.4)[11];

- three were Operating Model (3LoA) Theme Milestones (Milestones 9.1b, 9.4a and 10.3)[12];

- three were Accountability and Controls Delivery Theme Milestones (Milestones 12e.3a, 12f.2 and 16.2)[13];

- three were Customer Outcomes Theme Milestones (Milestones 15.4, 17.2 and 18.2)[14];

- three were Culture, Capability and Consequences Theme Milestones (Milestones 22.2, 23.2 and 25c.3)[15];

- three were Program Execution Theme Milestones (Milestones 20.2, 32.2 and 35.1a)[16]; and

- one was a Risk Appetite, Taxonomy and Standards Theme Milestone (Milestone 12b.2a)[17].

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[10] See discussion in section 3.2 below.

[11] See discussion in section 4.2 below.

[12] See discussion in section 5.2 below.

[13] See discussion in section 7.2 below.

[14] See discussion in section 8.2 below.

[15] See discussion in section 9.2 below.

[16] See discussion in section 10.2 below.

[17] See discussion in section 6.2 below.

Taking into account Milestones assessed as complete and effective in previous reporting periods, as at the Reporting Date, 103 Milestones (54 Design Milestones, 42 Implement Milestones and seven 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 *Inquiry Report* 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 73 Milestones (17 of which were closed during the Reporting Period) our intention to focus on particular design features, approaches to implementation or sustainability measures when assessing related Milestones or Recommendation Closure.

At the Reporting Date, Promontory was assessing four Milestones (one Design Milestone, two Implement Milestones and one Embed Milestone) and had not yet begun assessing the 12 Milestones (two Design Milestones, seven Implement Milestones and three Embed Milestones) delivered to us in late March.

The information above is summarised in Figure 2.1.

Figure 2.1: Milestone Status
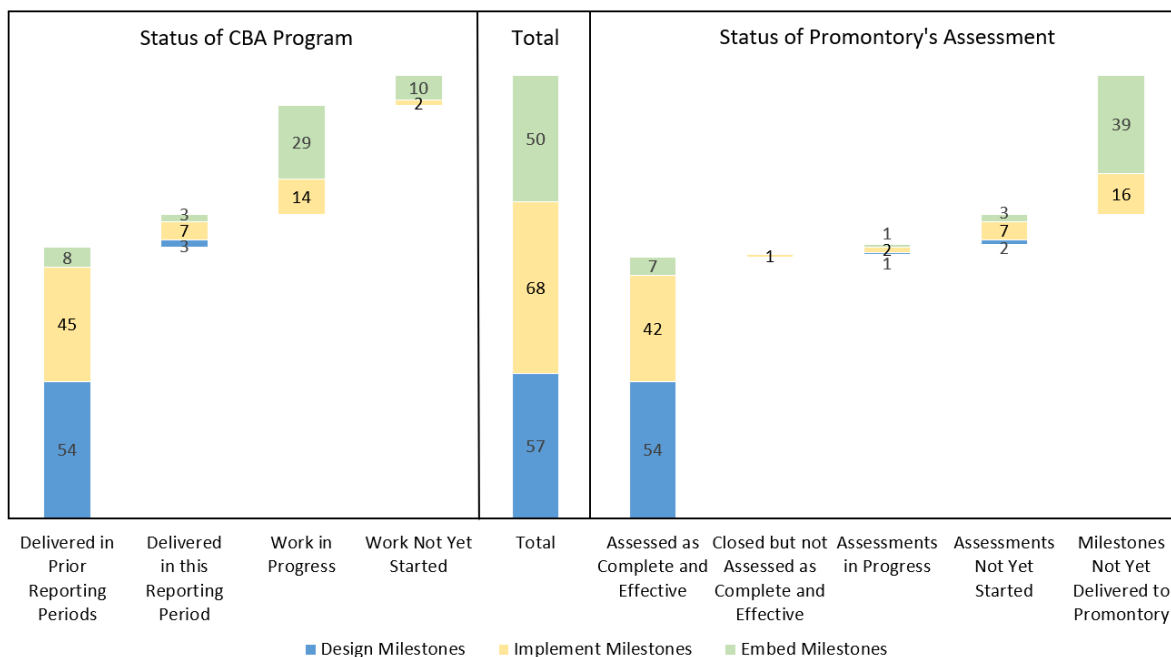
The Program also remains on-track for Recommendations to be closed by the due dates set out in the RAP.

The Program submitted Closure Packs for three Recommendations in late March. The Closure Packs for all Recommendations were submitted before relevant due dates set out in the RAP.

At the Reporting Date, the Program was working on 42 other Recommendation Closure Packs[18].

During the Reporting Period, we endorsed 19 requests to change aspects of the RAP[19]. The requests related to clarifying the detail of the Milestone Description, the Target State, the identity of the Execution Lead, the Milestone number, the due date or the Closure Criteria[20]. These changes resulted in the addition of two new Milestones[21] and changes in the Milestone due date for four Milestones[22]. Reasons for the introduction of new Milestones are set out in the description of progress in relevant Themes in Chapters 3 to 10.

At the Reporting Date, Promontory continued to assess one long-outstanding Risk Appetite, Taxonomy and Standards Theme Milestone (Milestone 12a.6), the Closure Pack for which was submitted in late May 2019.

Milestone 12a.6 requires enhanced discussions to be held at the NFRC and Board Risk and Compliance Committee (**BRCC**) on CBA's risk profile against its risk appetite, enabled by improved reporting against more granular early warning and intervention levels. It is an Embed Milestone. Our assessment of this Milestone has been delayed, for the reasons set out in section 2.1 of our Sixth Report. Assessment of this Milestone is to be considered in conjunction with assessment of the final Embed Milestone for Recommendation 12a (Milestone 12a.7) due for delivery in June 2020.

2.2.   Key Program Developments

During the Reporting Period, the Program progressed implementing and embedding the RAP in BU/SUs.

The Program also progressed its thinking on steps to ensure RAP outcomes continue after the Program ends, and on how those steps are linked to Recommendation Closure.

During the Reporting Period, we continued to observe many of the characteristics of successful risk remediation programs, as described in our Previous Reports. In particular:

- The Board and ELT continued to provide strong oversight over and engagement with the Program.

- Governance Fora and processes continued to mature and function effectively.

- Program design continued to evolve with the development of CBA's approach to Recommendation Closure.

- Program management remained strong with delivery risks continuing to be identified, understood and addressed in a timely way, although opportunities for improvement remain.

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[18] While the *Inquiry Report* made 35 Recommendations, the RAP splits some Recommendations into multiple parts resulting in 45 Recommendations in total.

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

[20] The Changes Requests we received were made in relation to Milestones 8.3, 9.5, 11.3, 11.4, 12a.7, 12b.2b, 12b.3b, 12e.3d, 15.4a, 15.5, 25a.3, 25b.3, 34.3 and 35.2 and Recommendation 6, 10 and 25c. Two change requests were also received in relation to different aspects of Milestone 4.4.

[21] Milestones 15.4a and 35.2b.

[22] Milestones 4.4, 12a.7, 15.5 and 35.2a.

- Risk and assurance oversight continued to mature, with both Line 2 and Line 3 undertaking reviews of how key aspects of the Program are being delivered.

As noted above, late in the Reporting Period, consideration was being given to revisions to the RAP as part of the planned further Foundational Review.

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 ELT continued to be actively engaged in overseeing and contributing to the Program.

The Board received updates on the Program at its meetings during the Reporting Period. These updates included information on Program progress and status, our Sixth Report, and proposals to conduct a further Foundational Review.

Executive Leaders also continued to receive regular Program updates.

Executive Leaders continued to display a genuine and active commitment to implementing the Program and to ensuring the changes made continue once the Program ends.

That commitment was evidenced in the two deep dives with GEs we conducted during the Reporting Period. It was also evident during the NFRCs for BU/SUs we observed during March and April.

In each deep dive, GEs demonstrated a deep understanding of the reasons for and objectives of the RAP. They also demonstrated an active and deep commitment to delivering the RAP, to giving delivery appropriate priority in the context of other risk and regulatory projects and to working to ensure changes are embedded and continue beyond the end of the Program.

The deep dives we conducted and the NFRCs we observed also evidenced active oversight by GEs of the Program (including active challenge in relation to aspects of Program delivery and execution). GEs continued to display a sound understanding of the risks and challenges faced in delivering the Program in their BU/SUs, and a good grasp of how those risks and challenges are – and will be – addressed. This was particularly evident in the ELT's decisions in relation to the content of Drop 8 discussed below.

GEs were also actively engaged in developing measures to ensure Program outcomes continue once the Program ends. Sustainability Plans were discussed in a number of ELT meetings during the Reporting Period, with an extended session to finalise and endorse Recommendation Grouping Sustainability Plans (discussed in more detail below) conducted during an ELT offsite in early March.

During the Reporting Period, we also noted the ELT continuing to do the following in line with Action Plans developed in response to our previous Reports:

- receiving and approving monthly updates on progress in delivering the RAP, including resourcing RAP delivery and 'go-to-green' plans;

- regularly communicating to their BU/SUs about aspects of RAP delivery and the importance of the RAP;

- contributing to the development of messaging about what sustainable outcomes look like and how they are to be achieved; and

- taking steps to monitor change fatigue and staff wellbeing.

GEs should work to ensure the actions assigned to them under the Action Plan continue to be actively progressed and completed. We will continue to monitor GE progress in taking these actions.

A significant challenge for Board and Executive Leaders in coming months will be ensuring key elements of the Program continue to be delivered in the context of Group measures to respond to the Pandemic. We urge GEs to work to ensure the Program identifies those key elements, and to ensure that they continue to be given appropriate priority.

Board and Executive Leaders must not underestimate the challenges to the Program in what will be a particularly difficult period. BUs, in particular, will be challenged to support customers impacted by the severe downturn in market conditions, while navigating through the new and evolving work practices in CBA necessitated by the Pandemic.

2.2.2. Program Governance

The RGF, the BDGF and the PDMF continued to mature and operate effectively during the Reporting Period.

The RGF continued to actively monitor and challenge Program progress. Papers prepared for RGF meetings were of uniformly good quality. Papers highlighted delivery risks and issues for each Theme, progress in BU/SUs in delivering the RAP and an appropriate focus on 'go-to-green' plans.

The RGF should work to ensure that it continues to display speed and agility in identifying and addressing delivery risks through the evident challenges the Program will face in coming months.

The BDGF continued to mature with changes set out in our Sixth Report now implemented.

BDGF meetings have been designed and are now generally conducted as structured discussions of common issues being experienced in BU/SUs in implementing the RAP. These issues are identified in advance of the meeting by the Central RAP Team after reviewing status reports provided by all BU/SUs. Discussions continue to be led by individual CCOs. Meetings during the Reporting Period provided opportunities to again discuss approaches to resourcing, improvements to the Drop Process and particular issues being experienced in delivering certain scope items in Drop 7, including the roll out of Risk in Change and Financial Crimes Compliance baselining.

Almost all CCOs attended BDGF meetings early in the Reporting Period, adding to the value and quality of discussion. CCO attendance tapered off late in the Reporting Period. We urge CCOs to continue to make every effort to attend each of these meetings – either in person or by phone or video link – and GEs to continue to encourage CCO attendance.

The quality, clarity and consistency of reporting tabled at the BDGF continued to improve.

We urge the Program to work to ensure the BDGF continues to play a key role both in ensuring that learnings and implementation risks associated with the Program are shared, and in monitoring progress being made in consistent and sustainable execution of the RAP across the Group. Particular attention should be paid to

ensuring the BDGF focuses on RAP-related matters which may not get sufficient attention at the CCO LT making use of the detailed Group-wide reporting the Forum brings together.

The Program also continued to evidence an ongoing commitment to self-reflection and improvement, with discussions on potential improvements to the operation of Governance Fora generally taking place in review sessions at the end of each meeting. We encourage the Program to continue with this practice.

2.2.3. Program Design, Delivery and Management

The Program continued to display the adaptability described in Previous Reports in addressing design, delivery and management challenges through the Reporting Period.

Program Design

Program design evolved further during the Reporting Period.

Approaches to evidencing sustainability of Embed Milestones and processes for closing Recommendations were finalised.

A further Foundational Review was initiated. The Review is expected to make changes which focus on what 'matters most' and create capacity for the Group to respond to the Pandemic.

Dependencies between activities in the RAP continued to be identified, understood and effectively managed.

Sustainability and Recommendation Closure

During the Reporting Period, the Program progressed measures described in the Sixth Report designed to ensure Program outcomes would continue once the Program ends.

Key among these were Sustainability Plans. As noted in our Sixth Report, these plans will include a description of controls 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 the Plan.

Closure Packs for each of the nine Embed Milestones delivered by the end of the Reporting Period included Sustainability Plans and an outline of how those Plans are to be operationalised (in addition to evidence to establish that Closure Criteria have been met and the Target State has been achieved).

The Sustainability Plans delivered to date reflect early and emerging thinking on aspects of Plan design. Recognising the early stage of thinking, in a number of cases (set out in Chapters 3 to 10 below) we assessed Milestones as complete and effective on the understanding that we would assess aspects of the design and operation of Sustainability Plans before closing the Recommendation to which the Milestone relates.

The Program's approach to the design and content of Sustainability Plans was assisted by ELT input into the Recommendation Grouping Sustainability Plans included in Closure Packs delivered to us for Milestone 35.2a (a Design Milestone) late in the Reporting Period.

The Recommendation Grouping Sustainability Plans cover the following four thematic groupings of Recommendations:

- Strengthening Governance and Oversight (covering Board Governance, Management Governance and Operating Model Recommendations).

- Achieving Better Customer and Risk Outcomes (covering Risk Appetite, Taxonomy and Standards, Accountability and Controls Delivery, and Customer Outcomes Recommendations).

- Building an Accountable, Customer Focused and Transparent Culture (covering Culture, Capability and Consequences Recommendations).

- Improving Execution and Delivering our Plan (Program Execution Recommendations).

We understand the ELT reviewed the Plans with a view to ensuring they are practical, simple, leverage, as far as possible existing mechanisms and processes, and likely to be effective in sustaining RAP outcomes. Our assessments of the Plans will look to ensure they have these characteristics.

During the Reporting Period, the Program also finalised its approach to Recommendation Closure. The approach will involve the following being provided in Closure Packs to support Recommendation Closure:

- Evidence that the Recommendation's Target State has continued to be maintained since closure of Embed Milestones for that Recommendation.

- Evidence of the operation and effectiveness of the Sustainability Plan in maintaining the Target State.

During the Reporting Period, the Program delivered Closure Packs for three Recommendations (Recommendations 1, 14 and 24a). We will review these Closure Packs with a view to assessing whether the Target State has continued and whether we are comfortable that the Sustainability Plan is and has been operating in a way that ensures the Target State is maintained.

Foundational Review

Early in the Reporting Period, CBA reflected on the need to conduct a further Foundational Review (**Foundational Review 2.0**). The Review was to follow a review conducted in the second half of 2019. The approach to be taken in conducting the further review was discussed and endorsed by the ELT and the Board early in the Reporting Period.

The initial objective of Foundational Review 2.0 was to reflect Program learnings and make adjustments to the RAP as the Program moves to the embed phase and to BAU processes. The Review was seen as an opportunity to incorporate measures into the RAP, such as Sustainability Plans, designed to ensure Program outcomes continue and improve once the Program ends.

The Review was progressed through February with a key feature being a walk-through by the ELT of aspects of Sustainability Plans in early March.

By mid March, it was becoming apparent that the Pandemic would have a very significant impact on the Australian economy, with significant consequences for the Group, its customers and stakeholders.

Concern was expressed during the 10 March meeting of the RGF about the risk these developments might pose for the Program. The possible redirection of key Program and risk resources to address and meet the challenge

of servicing large numbers of customers in financial distress was flagged. Concern was also expressed about how changed work arrangements, necessitated by possible social distancing measures, might impact on the Program's ability to deliver Drop requirements.

These concerns were borne out by events in late March, with key resources in Line 1, in fact, being moved to front line crisis management. Senior management attention was also shifted toward addressing the impact of the Pandemic. Business leaders were increasingly focused on working with customers facing financial hardship, establishing mechanisms to support the community, and working with the government, regulators and industry more generally to address the economic impact of the Pandemic.

In light of the uncertain and challenging environment in which the Group was expecting to operate for the foreseeable future, the Program reflected on its approach to Foundational Review 2.0.

A proposal was developed to review the RAP with a view to ensuring that in the changed environment the spirit and substance of the *Inquiry Report* Recommendations would be achieved and the RAP delivered by June 2021. The proposal was to focus the RAP on what 'matters most'.

In developing the proposal, the Program was mindful of striking the right balance between the need to free up capacity to manage the Group's response to the Pandemic with the need to maintain momentum in rebuilding and enhancing the Group's NFR management framework, processes and capability.

The proposal made it clear that the review would not – and should not – compromise the Program's ambition. The proposal sought, in particular, to ensure that:

- enhanced practices in Governance, Accountability and Culture are delivered;

- the spirit and substance of the recommendations set out in the *Inquiry Report* are addressed; and

- mechanisms are established to ensure enhancements are sustainable after the Program ends.

The ELT discussed the proposal extensively at meetings through late March. The Board considered an outline of the proposal at its meeting in early April. The Board endorsed the spirit of the proposal and the need for further discussions with APRA and with us.

The Program engaged with us as the thinking about the proposal developed. We were given the opportunity to challenge that thinking – which we did.

At the date of this Report, and after discussions with APRA, work was underway to review the RAP in line with the proposal. That work will continue through the next Reporting Period.

The proposal envisages the Program focusing primarily on core OR&C governance measures and processes being delivered through the Risk Appetite, Taxonomy and Standards, Accountability and Controls Delivery and the Operating Model Themes. These measures and processes include enhancement to minimum standards, the control environment, embedding Three Lines of Accountability (**3LoA**) and enhancing the quality of OR&C reporting. Work on remaining Themes, which is seen as being well progressed, would be delivered at an appropriate time through BAU measures (including through the Drop Process and Sustainability Plans).

The proposal also envisages reviewing the due dates for delivering Milestones and combining Embed Milestone and Recommendation Closure.

In relation to BAU measures, the following steps are envisaged:

- Immediately operationalising Sustainability Plans where possible with a view to ensuring the mechanisms described in the Plans start to reinforce and sustain the Target State. This work will be undertaken, where possible and appropriate, in parallel to the work undertaken by CBA in relation to Embed Milestones.

- Leveraging Line 2's role in assuring the effectiveness of Line 1's OR&C management, and Line 3's mandate to audit the effectiveness of the OR&C and other frameworks end-to-end.

- Relying on the Group CCO and BU/SU CCOs to challenge BU/SUs on simplicity and consistency in implementation.

- Using the Drop Process to ensure changes rolled-out to BU/SUs are simple, pragmatic and fit for purpose, and delivered to a high standard.

- Ensuring accountability for BAU measures is linked to the Banking Executive Accountability Regime (**BEAR**) Accountable Executive accountability processes.

In the uncertain environment in which CBA is now operating and will operate for the foreseeable future, we see little option but to review the RAP as proposed.

We encourage CBA to ensure that through this review the Program continues to focus, as an absolute minimum, on the core OR&C governance measures and processes being uplifted through the RAP.

CBA must not allow the quality and sustainability of changes to these core governance measures and processes to be compromised by revisions to the RAP.

We are concerned that 'BAU' mechanisms (including Sustainability Plans) – which, although leveraging existing processes, are new, untested and not yet the subject of formal assurance – are being proposed as the delivery mechanism for significant aspects of the RAP.

In this regard we note that, at the Reporting Date, in the context of closing Embed Milestones, we had assessed the Target State for only seven Recommendations as having been met. Furthermore, Embed Closure Packs for only ten of 45 Recommendations (all of which are either Board Governance, Management Governance, Operating Model (3LoA), Risk Appetite, Taxonomy and Standards, or Culture, Capability and Consequences Theme Recommendations) had been delivered.

We also note that we are yet to see or finalise our assessments of:

- remaining Implement Milestones for 17 of 45 Recommendations; and

- whether the design of Recommendation Grouping Sustainability Plans will deliver the outcomes CBA is seeking.

Furthermore, we are yet to test the effectiveness of any of the Sustainability Plans delivered to us, with closure packs for only three Recommendations having been delivered either on or shortly before the Reporting Date.

We comment further on these matters in section 2.3.

RAP Dependencies

The Program continued to ensure it has a sound understanding of dependencies between activities in the RAP.

The PDMF continued to play an important role in this regard.

During the Reporting Period, the PDMF continued to actively discuss upcoming Milestone-specific dependencies using relevant, accurate and detailed reporting. The Implementation Plan, Dependency Register and Commitments Register, as discussed in our Previous Reports, also continued to be used to manage Milestone dependencies.

Meetings of the PDMF provided opportunities to update members on cross-theme initiatives, including planning for future Drops, the forward schedule for training and technology enhancements to support RAP implementation and the forward schedule for assurance in relation to Program delivery.

Among Major Theme Leads, we continue to observe a good level of understanding of RAP dependencies affecting their streams.

The PDMF will play an important role in assisting the Program through Foundational Review 2.0. It is well placed to do so.

The Program should ensure the work of the PDMF and the materials it uses continues to be made available across the Group to assist in improving understanding of Milestone dependencies.

Program Delivery

During the Reporting Period:

- The Drop Process continued as an effective and efficient vehicle for delivering the RAP across BU/SUs.

- BU/SU CCOs continued to mature and grow into their roles. They are emerging across the Group as critical and respected leaders, managers and change agents.

- The Program progressed its plans to manage competing priorities and interdependencies with other programs and Critical Risk Priorities.

- Steps were also taken to ensure the Program remains focused on delivering simple, sustainable and consistent outcomes across the Group.

Drop Process

The Drop Process continued to be the primary vehicle for delivering Program Milestones across the Group. Enhancements described in our Previous Reports contributed to the effectiveness of the Process.

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

- Evidence was collected in relation to Drop 6 activities conducted in the previous Reporting Period. The focus of Drop 6 was described as 'Continuing the rollout of critical elements, while building on changes made to date'. Drop 6 activities included introducing the new Compliance Incident Management Standard and Procedure, an induction training program for new Controls Office roles, retention focus groups, and version 5 of the Group Delivery Framework (**GDF**). Line 2 in a number of BU/SUs also reviewed and reported on delivery of Drop 6 activities.

- Drop 7 was being implemented. The focus of Drop 7 is described as 'Baselining key risks, strengthening policies and procedures and driving adherence to 3LoA principles'. Drop 7 activities have included the continued realignment of OR&C activities, and Financial Crimes Compliance and conduct risk baselining. Drop 7 also includes activities associated with other Critical Risk Priorities.

- Preparation was underway for Drop 8, to be launched in the next Reporting Period. The theme for Drop 8 is being described as 'Embedding our Risk Accountabilities'. As initially designed, Drop 8 was to include the roll out of key policies and standards, commencing the Control Assurance Program (**CAP**) Standard Test and Learn, commencing implementation of actions to embed the 3LoA model in BU/SUs, progressing implementation of version 6 of the GDF and a number of Culture and Capability initiatives. In addition, the roll out of standards and procedures in relation to Financial Crimes was proposed.

- Early thinking was undertaken about the content of Drop 9 and subsequent Drops. In late March, the ELT approved a provisional scope for Drop 9. It is to include further improvements to baselining, the roll out of a number of policies, standards and procedures, the annual OR&C capability assessment and Executive General Manager (**EGM**) annual attestation, and conduct and data management baselining activities deferred from earlier Drops. The scope and content of Drop 9 and later Drops is expected to be reviewed in the context of Foundational Review 2.0.

During the Reporting Period, a number of changes were made to the scope of both Drops 7 and 8. These changes reflected concerns about the Group's ability to resource the consumption of RAP related activities. For instance, the remaining conduct baselining related activities were consolidated from multiple Drops to commence in a single future Drop. Other non-RAP activities included in Drop 7 were deferred to Drop 8. In late March the ELT approved deferring a number of RAP related Drop 8 activities (including conduct risk and data management baselining activities) to later Drops.

Late in the Reporting Period it became apparent that, because of the need to redirect resources to addressing the impact of the Pandemic, some BU/SUs would not be able to deliver selected Drop 7 requirements by the scheduled end of the Drop. RBS, BPB, ES and IB&M were experiencing particular challenges in finalising measures to improve Financial Crimes Compliance baselining, largely attributable to a redirection of resources. The expectation was that these measures would be finalised by the end of April.

Further changes were made to Drop 8 shortly after the Reporting Period. Although no further changes were made to Drop content, beyond those made during the Reporting Period, the ELT agreed in early April to resequence activity during Drop 8. BU/SUs would be given the opportunity to complete any outstanding Drop 7 activities and prepare for Drop 8 during April. In-scope Drop 8 activities would then be rolled out during May and June.

Key enhancements made to the Drop Process during 2019 continued to be applied to good effect. A Drop 7 showcase, attended by over 200 representatives of BU/SUs from across the Group, was held early in the Reporting Period. The purpose of the showcase was to give attendees the opportunity both to hear from other BU/SUs about the approach they were taking to the Drops and to engage directly with SMEs on the content of particular Drop 7 scope items.

The Program also progressed initiatives described in our Sixth Report designed to address risks associated with the level of change during calendar year 2020 given available resourcing. These initiatives included the following, focused in the first instance, on Drop 8:

- CCO fortnightly Drop working sessions were started with steps also taken to enhance the effectiveness of working groups. The fortnightly working sessions supported conversations between BU/SUs and

production teams and provided an opportunity for the cross-pollination of ideas we urged the Program to develop in the Sixth Report.

- Information about Drop content continued to be shared earlier than it had been in previous Drops. Subject Matter Experts (**SMEs**), for instance, attended CCO working sessions to provide early updates on the content of upcoming Drops. These sessions included sharing summaries and draft Drop Implementation Guides and draft Change and Communications Plans with CCOs and their teams.

- An increased focus on simplification was evident in Drop design. Simplification expectations developed by the Central RAP Team were shared with working groups and BU/SUs. The outcomes of discussions in these working groups were shared with CCOs. A stage gate is also to be introduced to the approval process for future Drops. It will provide CCOs and the ELT with an opportunity to assess and confirm whether the Drop, as designed, is fit for purpose and pragmatic, and whether implementation can be resourced. The scope of Drop 9 in relation to conduct risk, in particular, was updated as a result of these activities.

- Measures were taken to further improve communication of links between the content of Drops and Program outcomes. A draft outline of the links between Drop scope items and the overall Target State for particular Recommendations was developed and shared with CCOs for comment. A further overall narrative is under development.

The Program also took steps to ensure adequate ongoing oversight of the Drop Process. Updates on the operation of the Drop Process have been tabled at Program Delivery Leadership team meetings since January, with discussions about the Process at team meetings now scheduled on a regular basis.

The Drop Process continued to be supported by a largely effective approach to communicating the content and timing of Drops to BU/SUs. The approach has included sharing with BU/SUs a Change and Communications plan, an overview of the Drop and who will be impacted, a communications schedule and a narrative and key messages to highlight the strategic intent and core elements of the Drop.

The narrative and key messages have been designed with a view to supporting consistent implementation of the Drop across the Group. The narrative and messages were applied consistently in the examples we sighted of Drop-related communications during the Reporting Period.

The Program should continue to work to ensure that it clearly communicates both the objectives, benefits and content of Drops and changes to Drop content. There was some feedback during the Reporting Period, particularly from CCOs, that in-flight changes to Drop content may not have been particularly well communicated.

The Program continues to actively solicit, consider and action feedback from BU/SUs about the effective operation of the Drop Process. CCOs we engaged with during the Reporting Period were generally satisfied their feedback on the operation of the Drop Process had been listened to, understood and acted on in a timely way.

While the Drop Process appears to be operating effectively, we urge the Program to continue to monitor and assess the need for further changes to ensure the Drop Process is well placed to deliver consistent and sustained implementation of the RAP, particularly in the context of the changes likely to be made through Foundational Review 2.0.

Chief Controls Officers

As noted in our previous Reports, BU/SU CCOs will play a pivotal role in the Program delivering the enhanced NFR management framework contemplated by the RAP on a consistent and sustainable basis.

We have observed a significant maturing of CCOs into their roles as effective leaders, project managers and changes agents.

In particular we have observed BU/SU CCOs:

- Displaying an in-depth understanding of the risks to timely and sustainable delivery of the Program, including a more thorough understanding of long-term resourcing needs.

- Displaying an increased orientation toward solving issues and problems they have identified.

- Continuing improvement in the quality of status reporting both to the Program and to NFRCs. The design of reporting by CCOs to a number of NFRCs, in particular, is of a high order.

- Continuing to actively share learnings and best practice with other BU/SU CCOs both informally and during CCO Leadership Team and BDGF meetings.

- Continuing to provide regular and timely feedback and to challenge the Central RAP Team on aspects of Program delivery and the Drops, in particular. These challenges have led to a number of the changes being made to the scope for Drop 8 noted above. The challenges reflected sound consideration of the impact of the external operating environment on delivery of the RAP.

- Using existing communication channels in their BU/SUs to provide regular updates on RAP delivery, with a particular focus on the objectives, content and progress in relation to the Drops.

- Displaying in both Governance Forums and in the NFRCs we attended an appropriate level of 'chronic unease' and a willingness to openly raise concerns and issues.

- Continuing to use test and learn approaches in seeking to ensure the sustainability of RAP outcomes.

We will continue to monitor CCO activity in implementing Action Plans developed in response to previous Reports and this Report.

In particular, we will continue to focus on:

- the steps CCOs are taking to monitor and attest to the consistent implementation of the RAP as designed across all business lines in their BU/SU; and

- whether and how CCOs are displaying an appropriate level of 'chronic unease' as they challenge the progress and effectiveness of the Program in embedding new NFR management processes.

The Group CCO, appointed in the previous Reporting Period, has played an important and key role in supporting and driving the increasing maturity of the CCO function.

In line with focus areas he identified to the ELT in January, the Group CCO has:

- Worked with CCOs to develop an action orientation – focusing less on identifying issues and problems and more on addressing them. He has also played an important role in working to ensure simple solutions are being developed and that over-implementation risks are being addressed.

- Continued to create and harness opportunities for CCOs to work together to identify common approaches, responses and synergies. An example was the 3LoA workshop held shortly after the end of the Reporting Period. These activities have provided a foundation for driving greater consistency across the Group as well as opportunities to consider how resources can be shared. The Group CCO has also continued to emphasise the important role of CCOs as change agents.

- Worked to improve the efficacy of the 3LoA model. He has engaged with Group leaders of the Line 2 and Line 3 functions in the context of clarifying the longer-term role and responsibilities of CCOs. Although the mandate and responsibilities of CCOs have been formalised through Milestone 9.1b, further work is needed on how CCOs work together with both Lines 2 and 3.

- Set, as a key area of focus for the CCO LT, improving alignment between the BU/SU NFRCs, the ELT and the Board to ensure consistent information flows supporting better decision-making across the Group.

The Group CCO should continue with the initiatives started in the Reporting Period, with a particular emphasis on CCO collaboration and action orientation.

Managing Competing Priorities and Program Interdependencies

BU/SUs continued to use a range of measures to monitor and address prioritisation challenges, including weekly Line 1 Risk Team leadership meetings, monthly meetings of BU/SU Leadership Teams, and weekly scrums. Project status was being monitored and reallocation of resources was being considered.

Further work on formalising these processes should continue.

We will continue to monitor the way competing priorities are being managed at the BU/SU level.

Processes to monitor and manage competing priorities and interdependencies between work on Critical Risk Priorities, including the RAP, continued to develop and mature during the Reporting Period.

The IMF, which was established to monitor the status of high-risk interdependencies across Critical Risk Priorities, met for the first time during the Reporting Period. The Forum is attended by the EGM leaders of seven in-scope programs, including the RAP.

The meetings discussed and confirmed the completeness and accuracy of interdependencies between in-scope programs (most of which had RAP-related dependencies) and endorsed a proposal to store critical interdependencies in a Group project management tool. Key materials discussed at these meetings and meeting outcomes were subsequently shared with the PDMF and will continue to be shared moving forward.

The IMF will, in future, offer opportunities to highlight and better understand key interdependencies and for Program leaders to actively discuss the impact of those interdependencies on their Programs.

We understand that GEs continued to discuss and make decisions about prioritisation within the program portfolio. Papers on these matters were submitted by the Enterprise Program Management Office to the ELT on a monthly basis, with discussions continuing in regular Scrum Alley sessions.

The Program Delivery function described in Previous Reports continued to play an important role in driving the implementation of critical risk and simplification programs, including the RAP, managing program interdependencies, and strengthening the Group's ability to effectively deliver major programs of work.

The effective management of interdependencies between the RAP and other Critical Risk Programs should be a continued area of focus for CBA in the context of responding to the Pandemic.

We will continue to monitor how competing priorities and interdependencies are being managed.

Simplicity, Sustainability and Consistency

The Program progressed a number of initiatives designed to ensure simple and sustainable outcomes are delivered consistently across the Group. The Program should not lose sight of the critical importance of ensuring these outcomes as it embarks on Foundational Review 2.0.

The importance of driving simplicity continued to be reinforced in messaging by GEs and the CEO. We saw evidence of this in a number of the NFRCs we attended during the Reporting Period. Simplicity and its role in delivering sustainable solutions was also evident in our discussions with the ELT on the Sixth Report. It was also evident in GE communication to their BU/SUs and CEO Group-wide communications about the Program.

Drop Process initiatives in relation to simplification, noted above, were also progressed during the Reporting Period. Draft 'simplification expectations' intended to ensure working groups focus on simplicity in designing the content of Drops were used for the first time during the Reporting Period. The impact of these measures will be tested with the introduction of a stage gate process. That process has been designed to give CCOs and the ELT, as part of the 'go/no go decision' on each Drop, the opportunity to assess and confirm that the design of Drop activities is fit for purpose, pragmatic and simple and can be implemented with available resourcing.

As noted in our Sixth Report, we will also continue to focus on simplicity in assessing Milestones, particularly in relation to the new 12e Milestones dealing with baselining and the Sustainability Plans delivered in Embed Milestone Closure Packs.

As noted above, the Reporting Period also saw significant progress in work on the design and approach to sustainability in the RAP, including in the approach to closure of Embed Milestones and Recommendations.

The Central RAP Team also continued to focus on consistency through measures to review status reporting, approaches to implementation and prioritisation mechanisms.

Use continues to be made of fora, such as the BDGF and the Cross-Stream scrums, to highlight and underscore the importance of sharing solutions and driving consistent implementation of those solutions. 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 particularly important and valuable.

The Program should also continue to work to carefully scrutinise variations sought by particular BUs in how RAP outcomes are delivered, with a view to ensuring those outcomes are not comprised. These have been proposed for Colonial Mutual Life Assurance (**CMLA**) and the Aussie Home Loans (**AHL**) businesses. Variations should generally not be permitted.

Program Management

During the Reporting Period, the Program continued to be well managed. In particular:

- The Central RAP Team continued its commitment to meeting the timeframes set out in the RAP and, more generally, to responding to our questions in a timely way.

- Status reporting continued to be appropriately detailed and of a high quality.

- Program-related communications remained vibrant and engaging.

- The Program's approach to forecasting and monitoring resourcing needs continued to mature.

Nevertheless, opportunities to further improve Program management remain.

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 Milestones were delivered on, or before, due dates.

Our Sixth Report noted that in the previous Reporting Period, some Closure Packs had been delivered either without all information we saw as relevant or with information which was not sufficiently clear. There were also instances of slow responses to our information requests, delaying our assessments.

The Central RAP Team took steps during the Reporting Period to address our concerns about these issues, and, more generally, about the quality of Closure Packs. There was a commendable focus on ensuring the Closure Packs delivered to us were complete and comprehensive. Closure Packs delivered during the Reporting Period did not, as a result, raise quality concerns.

In the interests of ensuring the assessment and closure process is as efficient as possible, the Central RAP Team should continue to work with the Program, Execution and Stream Leads toward delivering Closure Packs which are complete when submitted to us and address all relevant aspects of Closure Criteria, Milestone Descriptions and Target States. We understand that the Central RAP Team is facilitating this by clearly communicating its expectations about the content of Closure Packs to those engaged in delivering the Packs.

During the Reporting Period, better use was made of pre-briefings and post-submission briefings of Closure Packs. These briefings gave the Program comfort that all materials needed to support our assessments had been provided and assisted us in understanding and navigating those materials. Actions agreed during those briefings were generally documented and delivery of responses generally closely monitored. The Central RAP Team should work to ensure effective use of these briefings continues to be made.

The Central RAP Team continued to actively challenge and promptly respond to and escalate deteriorations in Program status. On a number of occasions during the Reporting Period, some BU/SUs reported Program status as 'Red'. On each occasion the status was promptly escalated to relevant GEs for action.

The Program also reported an overall 'Red' status on a few occasions during the Reporting Period. This reflected concerns about the timing of Recommendation closure (where finalising assessments of Embed Milestones had taken longer than expected) and resourcing issues in some businesses (which were thought to be putting delivery of Milestones later in the year at risk). On each occasion, the Central RAP Team promptly developed and, in the case of issues with Recommendation closure, actioned 'go-to-green' plans.

The Central RAP Team also briefed two new GEs about the Program using the induction materials developed in earlier reporting periods.

During the Reporting Period, the Central RAP Team saw a number of staffing changes, with key and long-standing members of the team leaving the Program for varying periods. Some of these changes were necessitated by team members moving to urgent Pandemic response activities. Prompt measures were taken to address the impact of these moves.

To date, the Program has been well served by a Central RAP Team which, until recently, has seen little change. The Program should be mindful of the risk of losing corporate and Program knowledge and experience with recent changes and take appropriate and timely action to address those risks. It should also work to ensure that the Central RAP Team continues to comprise members drawn from businesses with stature across the Group and a seniority commensurate with the importance of the Program.

Status Reporting

Status reporting about the Program continued to be appropriately detailed during the Reporting Period.

Status reports provided to the RGF and BDGF continued to provide a clear overview of progress and risks. Reports continued to include, in many cases, detailed commentary on, and acceptance of reports by, BU/SU CROs. Reports were also being endorsed by GEs on a monthly basis.

The Central RAP Team continued to emphasise the need to report on 'go-to-green' plans, and actively challenged Major Theme Leads during RGF meetings and CCOs during BDGF meetings on the content and progress of those plans. These challenges should continue and should work to emphasise not simply the path to green (implicit in 'go-to-green') but also getting to green (reflected in 'get-to-green').

We will continue to monitor progress on 'get-to-green' plans developed in response to aspects of the Program that are currently rated 'Amber' with a view to ensuring timeframes for the Program as set out in the RAP, as currently designed, are, and will be, met.

Late in the Reporting Period, the Central RAP Team informed us the frequency of formal reporting of BU/SU implementation status would be reduced from fortnightly to monthly. The Central RAP Team indicated that other informal measures, such as the use of weekly scrums, would be used to monitor – and act on – implementation status and emerging delivery risks.

The Program should work to ensure that the reduction in the frequency of formal reporting of implementation status does not impede the Program's ability to monitor and address particular issues and risks – particularly to consistent implementation of the RAP – which might arise between formal reports. The Central RAP Team, in particular, should ensure sufficient resources are devoted to monitoring issues and risks through the informal measures it is now planning to use.

Communications

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

The Program's communication strategy and its focus on outcomes – over process – continues to provide good support for embedding the RAP in BU/SUs.

Communication continued to be thoughtfully and impressively designed and remained vibrant and engaging. Use of a number of communication channels continued.

Communications from the CEO through the 'Welcome Back' video in January, two Town Halls held in late February and other regular messages, recognised the good progress to date in delivering the RAP while emphasising there was still much work to be done.

Executive Leaders continued to communicate their ongoing and strong commitment to achieving the objectives of the Program during the Reporting Period. This was evident in regular email communication by GEs to their BU/SUs. It was also evident in the GE Reflection Sessions, distributed through One.CBA, which continued through the Reporting Period. These sessions included references to the *Inquiry Report* and the actions being taken, through the RAP, to deliver its outcomes.

EGM- and General Manager- (**GM-**) level communications about how the RAP is being implemented also continued. The 'Get to know our CCOs' Program also continued with an interview with the new Group CCO published on One.CBA. CCOs continued to regularly communicate RAP updates to their businesses.

During the Reporting Period, the first instalment of the 'Risk Cuppa' Program described in our Sixth Report was launched. The instalment, distributed through One.CBA, involved two staff members sharing their experiences in identifying and escalating a particular risk issue. The key message was to 'trust your gut' and escalate where a risk issue is identified.

Materials also continued to be developed and communicated to support delivery of Drops, including Drop 7 and Drop 8. These communications, in particular the Key Messages and Drop Narrative, continued to remain clear and to the point.

Our Sixth Report highlighted the need for the Program to develop and communicate a simple, overarching description of what CBA will look like once the Program has been embedded. We noted that this would be particularly important during periods of intense activity where those responsible for implementing changes may lose focus and treat the exercise as being about 'getting over the line'.

Work on developing this description was started during the Reporting Period. A draft long-form narrative was produced early in the Reporting Period. This is to be followed by a short-form narrative to be supported by metrics which are being developed and collated.

The narratives are being designed to describe how improvements to the management of NFR are leading to a deeper understanding by leaders of, and their accountability for, NFRs, a thorough knowledge of the tools to manage those risks, and customers' financial well-being being more prominent in decision-making, product design and service.

Finalisation of this narrative and supporting documentation is particularly important in supporting the sustained embedding of key Milestones. We urge the Program to give this priority in coming months.

The Program should ensure that communications in coming months about changes to the RAP through Foundational Review 2.0 emphasise the review is not changing the overall outcomes sought by the Program.

The Program should continue to innovate the style and content of its communication, as it has done with evident commitment and success to date. These innovations will serve to maintain the momentum of the Program and win the hearts and minds of staff in order to ensure the Program receives buy-in at all levels of the organisation.

We will continue to receive regular updates on the communications approach and to monitor CBA's approach to Program-related communications.

We also welcome CBA's continued transparency in publicly reporting the progress of the Program, with the Fifth and Sixth Reports published in February 2020.

Monitoring and Addressing Resourcing Needs

Although the Program made good progress in this and previous reporting periods in monitoring resourcing needs, resourcing the implementation and embedding of the RAP again emerged as a very significant concern for the Program late in the Reporting Period.

This concern intensified as BU/SUs diverted resources to addressing aspects of the impact of the Pandemic. Resources were diverted late in the Reporting Period to activities which included supporting engagement with customers impacted by the economic consequences of the Pandemic (cited by RBS, BPB, IB&M and RM as a key reason for diverting resources) and supporting employees through changed work arrangements (cited by ES and HR as a key reason for diverting resources). In some cases, this led to some BU/SUs reporting Program delivery status as 'Red' shortly after the Reporting Date (in particular BPB and ES).

The Program continued during the Reporting Period 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 also being provided by each BU/SU for each upcoming Drop, signed off both by the CRO and the GE. The Central RAP Team continued to challenge the accuracy of individual BU/SU estimates.

We were concerned at various times through the Reporting Period about how resourcing gaps identified by BU/SUs in relation to future Drops were being addressed. This was particularly the case in relation to the apparent shortfall in some BU/SUs between resources available to deliver Drop 7 and the resources required in CCO teams in particular to deliver Drop 8 requirements.

This shortfall continued to be evident in the month leading to the end of the Reporting Period. By the start of Drop 8, 66 more FTE were required across the Group than were available at the end of Drop 7 (a more than 30 per cent shortfall). The most significant shortfalls were in ES, which estimated 21 additional FTE (or more than 160 per cent above Drop 7 resourcing) were needed, and BPB, which estimated an additional 14 FTE (or more than 70 per cent above Drop 7 resourcing) were needed. These shortfalls influenced thinking about the resequencing Drop 8 activity referred to above.

Work is still needed on monitoring, understanding and addressing capability requirements. Little progress was made on linking capability and capacity needs. As we noted in our Sixth Report, while initiatives to assess resource capability are underway, we are still yet to see how gaps are being quantified and married to information about capacity shortfalls. The Program should work towards integrating capability indicators and measures into its resourcing forecasts.

CCOs continued to explore how resourcing gaps could be addressed. Efforts at 'creative' recruiting continued. Some use was made of individual contractors in some BU/SUs to bridge immediate resource gaps. The impact of the Pandemic on recruiting new staff and the challenge of redirecting existing staff in the context of new working arrangements, have together further complicated the process of addressing resourcing shortfalls.

Resourcing shortfalls remain a significant risk to successful execution of the Program. The shortfalls and the challenges in addressing them in the current environment, are clearly factors CBA will need to take into account in revisions to the RAP to be made by Foundational Review 2.0.

2.2.4. 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.

In each of the NFRCs we observed, BU/SU CROs played an active role, making appropriate and constructive contributions and challenges. Reporting by CROs to the NFRCs was also, generally, clear, and supported constructive and focused discussions during NFRC meetings.

CROs continue to engage well with, and understand the Program and its challenges. This was evident in both the NFRCs we observed and the Deep Dives we conducted. RAP Line 2 also continued to make appropriate and constructive contributions in the governance meetings we attended.

During the Reporting Period, Line 2 in BU/SUs conducted an assurance review of the delivery of Drop 6. The review assessed the status of implementation and sustainability of Drop 6 activities and whether those activities were 'on-track'.

At the Reporting Date, the findings of these assurance reviews were being socialised with CCOs, BU/SU NFRCs and the Central RAP Team. We understand the reports will be consolidated and discussed in Governance Fora in early April. The reports we have sighted offered useful insights and learnings which appeared to be well received in the NFRCs in which they were tabled. The Central RAP Team should work to ensure key themes from these reviews are extracted and assessed, with a view to identifying opportunities for improvement to future Drops.

During the Reporting Period we also observed CROs continuing to:

- approve and/or accept and actively challenge BU/SU status reporting;

- actively challenge Line 1 resourcing estimates and preparing and closely monitoring their own resourcing;

- monitor and provide challenge, where needed, to support the sustainability of RAP outcomes; and

- drive consistency and share learnings and best practice across the CRO community with a particular focus on sustainability.

Work continued on ensuring a consistent understanding across the Group of Line 2's role in relation to production, consumption, assurance and oversight of RAP deliverables. We understand further enhancements are being considered with a view to implementation in coming months. Work also continued in Group Risk on the design of Line 2 assurance processes, with a view to ensuring assurance is both practical and appropriately resourced.

We will review and report on these enhancements and any changes to Line 2 assurance processes in future Reports.

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 continued to meet regularly with GA&A to discuss their observations on Program progress.

These meetings have been 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.

During the Reporting Period, GA&A shared its early thinking on the outcomes of its audits of the Line 2 assurance process, the Change Investment Process (**CIP**) and implementation of 3LoA realignment plans. These audits and management's response will provide useful background to our assessments of Milestones touching on each of these areas.

2.3. Ongoing Challenges and the Road Ahead

Through the early months of the Reporting Period, the Program continued to progress through to the embed phase of the Program. Closure Packs for 13 Milestones were delivered. We assessed 22 Milestones as complete and effective, including six Embed Milestones.

As noted in section 2.2, the active commitment of the Board and the ELT continued.

The Program continued to be well governed and managed, with delivery risks escalated and addressed in a timely way. This was particularly evident in the number of occasions on which BU/SUs were prepared to report the Program as 'Red' in their BU/SU and to develop and act on 'go-to-green' plans.

The Drop Process continued as an effective and efficient vehicle for delivering the RAP. A good level of vigilance was paid to ensuring the design of Program initiatives and activity were not overengineered.

Good progress was also made in building on the foundations developed for effective governance of NFR management, with key Governance Embed Milestones being assessed by us as complete and effective. Of particular note from these Milestones, was solid evidence that the OR&C functions now have a stature at Group level significantly greater than that described in the *Inquiry Report*.

There was also emerging evidence of the cultural aspirations of the RAP being realised. There were a number of good examples of the 'should we' question being applied in the BU/SU NFRCs we observed. Active self-reflection, constructive challenge and sound awareness of NFRs among BU/SU leaders was also evident.

The Board, the ELT and Program continued to be aware of, and were committed to actively addressing, the challenges and risks highlighted in our Previous Reports. There was, in particular, an acute and active understanding of the challenges associated with ensuring changes are embedded, as designed, consistently and sustainably across the Group, while ensuring change risks are closely monitored and effectively managed.

The early signs are that good progress is being made in building key enhancements to NFR management processes. An improved focus on issues and complaints management was evident in the Milestones we

assessed as complete and effective during the Reporting Period. Nonetheless, significant work remains, particularly in relation to enhancements to risk and control assessment processes.

The positive trajectory evident early in the Reporting Period was seriously challenged by the emergence and intensification of the Pandemic in the last month of the Reporting Period and since the Reporting Date. As noted in section 2.2, key risk resources actively engaged on delivering the RAP were redirected to responding to the Pandemic. Senior management attention, critical to directing and leading delivery of the RAP, was redirected to focus predominantly on responding to the impact of the Pandemic on the Group, its customers and stakeholders and Government measures to address those impacts. As a result, Program status was moved to 'Red' shortly after the end of the Reporting Period.

These events have challenged CBA to reflect on whether and what changes are needed to the RAP. This challenge is complicated by great uncertainty about the economic impact and likely duration of the Pandemic.

As described in section 2.2, the RAP was being reviewed in the context of the Pandemic as this Report was being prepared. The early thinking has been to focus the Program on those elements of the NFR management framework which 'matter most' and to deliver other elements currently in the RAP through 'BAU measures', including the Sustainability Plans described in section 2.2.

CBA should derive some comfort in conducting this Review from the fact that much has been achieved to date supported by the development and application of sound project management and governance practices and disciplines. CBA must, however, work to ensure that the benefits of the Program – particularly the solid foundations evident in Program design – are neither lost nor compromised and the construction work building on that foundation continues in key areas.

In finalising the review, CBA should reflect on the following matters:

- Ensuring careful consideration is given to the elements of the RAP which should be prioritised and subject to the rigour of the RAP and its assessment processes. CBA should reflect, in particular, on the key areas of weakness identified in the *Inquiry Report* and ensure that those areas are given priority. Key among those is ensuring conduct risk and Line 2 assurance continue to be delivered under the RAP rather than through 'BAU measures'.

- Ensuring revisions to the RAP do not compromise the quality and sustainability of relevant uplifts and enhancements. In particular, careful consideration should be given to whether, and for which Recommendations, Recommendations will be closed at the same time as Embed Milestones. Early closure of a Recommendation may not, in some cases, provide sufficient opportunity to test whether the Target State has been maintained and, more generally, to test the effectiveness of Sustainability Plans.

- Ensuring 'BAU measures' have as much of the rigour and challenge which has been applied by the Program to date through RAP processes. In particular, CBA should work to ensure Sustainability Plans are an effective means of ensuring outcomes envisaged by the RAP are achieved for elements which are to be addressed through 'BAU measures' as a result of the Foundational Review. Although we understand these Plans are being designed with a view to leveraging, where possible, existing frameworks and processes, the operation of the Plans has yet to be tested.

- Ensuring both APRA and the Board have an appropriate level of assurance in relation to the effective delivery of elements of the RAP which are to be addressed through 'BAU measures'. CBA should work

to ensure Line 2, in particular, is appropriately resourced to deliver the level and quality of assurance needed.

- Considering the opportunities offered by changed working arrangements through the Pandemic. Many CBA staff are now working remotely. Opportunities exist, for instance, to use the period to bring forward activity which can be done remotely through periods of down time (such as training).

In finalising the review and implementing the revised RAP, CBA should not lose sight of the challenges identified in a number of our Previous Reports to implementing Program outcomes in a consistent and sustainable way across the Group.

Ensuring consistency will continue to be a significant challenge. This Reporting Period gave us the opportunity to observe how NFR management is maturing across the Group. It is clear that a number of BUs and some SUs are well progressed in achieving the outcomes sought by the RAP. Others, however, have some way to go. CBA should not lose sight of the need to ensure work continues apace and as far as practical to align NFR management practices across all businesses, irrespective of how the RAP is revised.

Ensuring sustainability will also continue to be a significant challenge. We endorse giving high priority to the development of Sustainability Plans. The frameworks and processes they embody will be critical to ensuring the measures the Program delivers 'stick and stay'. They should be operationalised as a matter of priority.

The effective management of interdependencies between the RAP and other Critical Risk Programs should also be a continued area of focus for the Program in the context of CBA responding to the Pandemic.

Of the measures noted in our Previous Reports, we urge CBA to continue to reflect on the following in addressing these challenges:

- The importance of simplicity and practicality in revisions to the RAP and in how it is being implemented. A premium should continue to be placed on the application of simplicity across the Program.

- Consistency will be assisted by clear communication of the purpose and objectives of the RAP, as revised, and its links to what CBA will look like once the Program ends.

- Ideas and experiences across the Group on executing the RAP should continue to be shared to support consistent approaches. There was good evidence of this during the Reporting Period with more mature BU/SUs sharing their approaches and experiences with less developed BU/SUs. The Group CCO has played an important role in facilitating and encouraging these discussions through various fora.

- Ensuring Sustainability Plans are not over-engineered and that they leverage, as far as is possible, existing processes. We will continue to monitor and challenge these Plans as they are developed and operationalised to ensure they remain practical and fit for purpose.

- The need to monitor and address the risk of change fatigue in its key teams and develop strategies and plans to reduce the chance of that risk crystallising.

We will continue to focus our attention on these areas and continue to actively challenge the Program as it finalises Foundational Review 2.0 and delivers key Milestones.

CBA must work to ensure that each of the elements identified in Previous Reports as having contributed to Program success to date continues to be applied to meeting these challenges.

The **Board** must ensure it continues its active and genuine commitment to and engagement with the Program. We have little doubt that the evident commitment and engagement with the Program to date, supported by good flows of information to the Board, will continue.

GEs, similarly, must ensure once changes are made to the RAP that implementation continues to be given priority. They must continue to closely monitor and support progress in embedding the RAP.

GEs should continue to ensure sufficient resources are available to execute the RAP in their business, recognising the resourcing challenges posed by responding to the Pandemic. GEs should also ensure they communicate that the outcomes of the Foundational Review 2.0 have not changed the longer-term benefits of the RAP to CBA and its customers and stakeholders.

The **Central RAP Team** must continue to play a key role not only in driving the Program to completion within the ambitious timeframes envisaged by the RAP as revised, but in working with BU/SU leaders to ensure the Program is implemented and embedded consistently and sustainably across the Group. The team must continue to ensure it has visibility of BU/SU activity and engagement with BU/SUs beyond the insights it gets from interactions with BU/SU GEs, CCOs and CROs.

The team should continue to place a high premium on challenging Execution Leads on 'get-to-green plans' and promptly escalating issues impeding Program progress as they arise.

The **CCOs and their teams** should continue to work closely with their BU/SUs through each Drop, clearly communicating not only the detail of and reasons for changes to the RAP but why the changes are being made and their benefit to CBA, its customers and stakeholders. It is also important the Group CCO continues to support and drive the CCO network as he has done in this Reporting Period.

2.4. Focus Areas

Table 2.1: Areas on which CBA Should Focus

Focus Area	Actions	
Board and Executive Leadership Oversight and Sponsorship	(i)	The Board should work to ensure it continues its active and genuine commitment to and engagement with the Program.
	(ii)	In the context of measures the Group is taking to respond to the Pandemic, GEs should work to ensure key elements of the Program continue to be given appropriate priority. They should work to ensure embedding the RAP continues to be closely monitored and supported.
	(iii)	GEs should ensure they communicate that the outcomes of Foundational Review 2.0 have not changed the longer term benefits of the RAP to CBA and its customers and stakeholders.
	(iv)	GEs should continue to ensure sufficient resources are available to execute the RAP in their businesses.
	(v)	GEs should work to ensure the actions assigned to them under the ELT Action Plan continue to be actively progressed and completed.
Effective Project Management and Governance Disciplines	(i)	The RGF should work to ensure that it continues to display speed and agility in identifying and addressing delivery risks through the evident challenges the Program will face in coming months.

	(ii)	The BDGF should work to ensure it continues to play a key role both in ensuring that learnings and implementation risks associated with the Program are shared, and in monitoring the progress being made in consistent and sustainable execution of the RAP across the Group. Particular attention should be paid to ensuring the BDGF focuses on RAP-related matters which may not get sufficient attention at the CCO LT by making use of the detailed Group-wide reporting the Forum brings together.
	(iii)	The Program should ensure the work of the PDMF and the materials it uses continues to be made available across the Group to assist in improving understanding of Milestone dependencies.
	(iv)	The Central RAP Team should work to ensure that the reduction in the frequency of formal reporting of implementation status does not impede the Program's ability to monitor and address particular issues and risks.
Managing Dependencies and Competing Priorities	(i)	BU/SUs should continue to formalise the measures to monitor and address prioritisation challenges.
	(ii)	The Program should work through the IMF to ensure interdependencies between the RAP and other Critical Risk Programs continue to be monitored and managed.
Consistency, Simplicity, Practicality and Sustainability	(i)	To assist in ensuring consistency, the Program should continue to work to ensure ideas and experiences across the Group on executing the RAP continue to be shared to support consistent approaches.
	(ii)	To assist in consistency, the Program should also continue to work to develop a narrative communicating the purpose and objectives of the RAP, as revised, and its links to what CBA will look like once the Program ends.
	(iii)	The Program should give high priority to the development and operationalisation of Sustainability Plans, and ensuring they are not over-engineered and that they leverage, as far as is possible, existing processes.
	(iv)	The Program should work to ensure a premium is placed on the application of simplicity across the Program.
Foundational Review 2.0	(i)	CBA should not lose sight of the fact that the Program's success, in the context of the changes proposed to the RAP, will continue to depend on an ongoing focus on simplicity, consistency and sustainability, and the effectiveness of measures to manage the change risks described in our Previous Reports.
	(ii)	In conducting Foundational Review 2.0, CBA should ensure careful consideration is given to the elements of the RAP which should be prioritised and subjected to the rigour of the RAP and its assessment processes.
	(iii)	CBA should reflect, in particular, on the key areas of weakness identified in the *Inquiry Report* and ensure that those areas are given priority. Key among these is ensuring conduct risk and Line 2 assurance continue to be dealt with in the RAP.
	(iv)	CBA should give careful consideration to which Recommendations should be closed at the same time as Embed Milestones. Early closure of a Recommendation may not, in some cases, provide sufficient opportunity to test the effectiveness of Sustainability Plans.
	(v)	CBA should work to ensure Sustainability Plans are an effective means of ensuring outcomes envisaged by the RAP are achieved for elements which are to be addressed through 'BAU measures' as a result of the Review.

	(vi)	CBA should work to ensure that both APRA and the Board have an appropriate level of assurance in relation to the effective delivery of elements of the RAP which are to be addressed through 'BAU measures'. CBA should work to ensure Line 2, in particular, is appropriately resourced to deliver the level and quality of assurance needed.
Program Design, Delivery and Management	(i)	The Program should continue to work to ensure that it clearly communicates both the objectives, benefits and content of Drops and changes to Drop content.
	(ii)	The Program should continue to monitor and assess the need for further changes to ensure the Drop Process is well placed to deliver consistent and sustained implementation of the RAP, particularly in the context of the changes likely to be made through Foundational Review 2.0.
	(iii)	The Program should continue to work to carefully scrutinise variations sought by particular BUs in how RAP outcomes are delivered with a view to ensuring those outcomes are not comprised. Variations should generally not be permitted.
	(iv)	The Central RAP Team should continue to work with the Program, Execution and Stream Leads toward delivering Closure Packs which are complete when submitted to us and address all relevant aspects of Closure Criteria, Milestone Descriptions and Target States.
	(v)	The Program should continue to actively challenge the content and progress of 'go-to-green' plans and should work to emphasise not simply the path to green but also getting to green.
	(vi)	The Program should ensure that communications in coming months about changes to the RAP through Foundational Review 2.0 emphasise the review is not changing the overall outcomes sought by the Program.
	(vii)	The Program should continue to innovate the style and content of its communication, as it has done with evident commitment and success to date.
	(viii)	The Central RAP Team should work to ensure key themes of Line 2 Drop assurance reviews are extracted and assessed, with a view to identifying opportunities for improvement to future Drops.
	(ix)	The Central RAP Team should continue to place a high premium on challenging Execution Leads on 'get-to-green plans' and promptly escalating issues impeding Program progress as they arise.
	(x)	CBA should continue its work on developing a clear and simple message about the future state.
	(xi)	The Central RAP Team should continue to ensure it has visibility of BU/SU activity and engagement with BU/SUs beyond the insights it gets from interactions with BU/SU GEs, CCOs and CROs.
	(xii)	The Program and BU/SUs should continue to monitor and address the risk of change fatigue, and continue to develop strategies and plans to reduce the chance of that risk crystallising.
Resourcing	(i)	The Program should work to ensure that the Central RAP Team continues to comprise members drawn from businesses with stature across the Group and a seniority commensurate with the importance of the Program.

	(ii)	The Central RAP Team should ensure sufficient resources are devoted to monitoring issues and risks through the informal measures it is now planning to use.
	(iii)	The Program should work towards integrating capability indicators and measures into its resourcing forecasts.
Assurance	(i)	BU/SU CROs should continue to actively engage in the Program, particular in challenging progress in implementing the Program in their BU/SUs.
CCOs and the Group CCO	(i)	The Group CCO should continue with the initiatives started in the Reporting Period, with a particular emphasis on CCO collaboration and action orientation.
	(ii)	CCOs should continue to work closely with their BU/SUs through each Drop, clearly communicating not only the detail of and reasons for changes to the RAP but why the changes are being made and their benefit to CBA, its customers and stakeholders.
	(iii)	CCOs should continue to work to ensure they are monitoring and attesting to the consistent implementation of the RAP as designed across all business lines in their BU/SU.
	(iv)	CCOs should continue to display an appropriate level of 'chronic unease' as they challenge the progress and effectiveness of the Program in embedding new NFR management processes in their BU/SU.

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 Board Audit Committee (**BAC**) protocols, and improving the quality and consistency of NFR reporting.

3.1. Status of Board Governance Theme

3.1.1. Status of Board Governance Theme Milestones

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

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

During the Reporting Period:

- No Milestone Closure Packs for this Theme were submitted to Promontory.

- Promontory assessed three Board Governance Theme Milestones (Milestones 1.4, 2.2 and 5.2) as complete and effective. The Closure Packs for these Milestones were submitted in the Sixth Reporting Period.

- The Program was working on the four remaining Embed Milestones for this Theme.

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 BRCC are aligned with better practice identified in Milestone 2.1	Dec-20	◕

#	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 co-ordination between the BRCC, People and Remuneration Committee (**PRC**) and BAC	Dec-20	◔
4	Audit Committee	4.1 Design	BAC to set expectations on when BU/SU must present on material issues	Dec-18	●
		4.2 Design	Review, update and document the end-to-end internal audit practices in relation to issue management	Dec-18	●
		4.3 Implement	Amend internal audit process to include BU/SU issue owners appearing before BAC	Jun-19	●
		4.4 Embed	BAC to arrange review internal audit process and whether BAC expectations on presentations by BU/SU accountable individual are being met	Apr-20[23]	◔
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	◔

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[23] The due date for Milestone 4.4 was moved from March 2020 to April 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 in 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 1) to Promontory. The Closure Pack was submitted before the relevant due date set out in the RAP.

- The Program was working on the four remaining Recommendation Closure Packs for this Theme.

At the Reporting Date, Promontory was yet to start its review of the Closure Pack for the Board Governance Theme Recommendation (Recommendation 1) submitted in the Reporting Period.

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	Mar-21	◔
3	Board co-ordination	There are clear accountabilities, and timely and effective information flows between Board Committees	Mar-21	◔
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	Mar-21	◔

3.2. Board Governance Theme Milestone Assessment Outcomes

3.2.1. Assessment of Recommendation 1 Milestone

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 that Senior Leadership is clear about the behaviours and actions the Board expects of them.

Milestone 1.4

Milestone 1.4 (an Embed Milestone) requires that as part of the Board and BAC, BRCC and PRC's annual Performance Review, a review will be undertaken on whether the Board:

- continues to have heightened visibility;

- has promoted a clear tone at the top in both messaging and actions;

- demonstrates rigor and urgency in respect of key issues and the closure of control weaknesses; and

- engages in regular constructive challenge of management.

CBA has confirmed and provided evidence that:

- the Board has evaluated its performance through a process which included a number of meetings, and a survey of Board and ELT members;

- the survey results have been discussed by the Board and collated across themes including roles and responsibilities, effectiveness, behaviour and process;

- the Board has discussed their interactions with the ELT and determined areas of focus to further enhance their working relationship; and

- the current focus areas for the Board are continuing to foster engagement with management and ensuring there is an ongoing focus on culture, conduct, compliance and reputation.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestones 1.1 and 1.2 in relation to:

- the Board promoting a clear tone from the top in engagements with the ELT and at staff functions; and

- ensuring the standing agendas of Board Committee meetings include agenda items to review topics including NFRs, audit items rated as Red, and key messages and actions for management.

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 covering frameworks and processes, and reporting and assurance.

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

- whether and how the survey of Board and ELT members addressed the Board Committees as distinct groups in addition to considering the Board in aggregate;

- any actions in response to Board Committee survey outcomes; and

- certain processes and measures described in the Sustainability Plan and how they would contribute to the Target State continuing on an ongoing basis.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that the Board, BAC, BRCC and PRC's annual Performance Review,

included a review of whether the Board continues to have heightened visibility, promotes a clear tone from the top, and demonstrates rigour regarding key issues and controls weaknesses.

As such, we consider that:

- the Milestone's Closure Criteria have been met;

- CBA has adequately addressed matters raised in our assessment of prior Milestones for this Recommendation;

- the Target State has been achieved; and

- the design of the Sustainability Plan is sufficient to support the maintenance of the Target State on an ongoing basis.

The Milestone is, therefore, complete and effective.

3.2.2. Assessment of Recommendation 2 Milestone

The Target State for Recommendation 2 is that the processes and practices of the Board, and its BAC and BRCC, are aligned with global better practice for risk management.

Milestone 2.2

Milestone 2.2 (an Implement Milestone) requires that changes to the Board, BAC and BRCC's processes and practices (whether through amendments to Charters or agendas) are implemented in accordance with the Board approved recommendations developed under Milestone 2.1.

CBA has confirmed and provided evidence that Board recommended changes have been discussed, approved and implemented in relation to the processes and practices of the Board, BAC and BRCC regarding:

- the respective responsibilities of the BAC and BRCC;

- the role of Line 2 in its reporting to the BRCC on control assurances;

- the robustness of Internal Audit end-to-end processes, and BAC oversight of those processes;

- the role of the BAC regarding risks and controls;

- changes to processes and procedures relating to risk and audit reporting; and

- the role of the BAC and BRCC and their interactions with Senior Management.

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

- whether CBA plans to make additional changes to risk reporting and related processes to further align with better practice in accordance with Recommendation 5; and

- where better practice changes have been identified, proposed approval and implementation processes (including timing) for any such agreed changes in accordance with other changes dealt with under Recommendation 2.

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 implemented changes to the Board, BAC and BRCC's processes and practices in accordance with the Board approved recommendations developed at Milestone 2.1.

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

In finalising our assessment, we foreshadowed that our assessment of the Embed Milestone for this Recommendation will consider the effectiveness of embedding the changes made to risk management and compliance reporting to the Board and BRCC into BAU.

3.2.3. Assessment of Recommendation 5 Milestone

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

Milestone 5.2

Milestone 5.2 (an Implement Milestone) requires that the revised OR&C reporting, and group regulatory risk reporting to the Board and BRCC (as relevant) has commenced.

CBA has confirmed and provided evidence that:

- formal reports have been provided to the Board and BRCC, including the CRO's Report, the OR&C Profile, and the NFRC Update;

- dashboards have been provided to the Board and the BRCC, including the Risk Appetite Statement (**RAS**) dashboard, the Regulatory Engagement dashboard and the NFRC Complaints Summary dashboard;

- the Board and BRCC have provided feedback in relation to NFRC reporting;

- significant improvements have been made to the breadth and depth of reporting to the Board and BRCC; and

- Forward Planners, which show when each type of report will be provided to the Board or BRCC, have been developed.

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

- the list of actions tied to discussions of risk and compliance reporting from recent Board and BRCC meetings;

- the themes discussed by the Board and BRCC when reviewing and examining risk and compliance reporting; and

- the steps taken (or being considered) to support the Board and BRCC in interpreting the information they receive (including the inclusion of key issues, insights, themes and observations requiring further discussion, requests or actions).

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that CBA has commenced revised OR&C reporting, and group regulatory risk reporting to the Board and the BRCC.

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 steps that have been taken to further enhance risk reporting including steps designed to synthesise risk and compliance information provided to the Board and the BRCC.

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:

- The Program submitted Closure Packs for three Management Governance Theme Milestones (Milestones 7.6, 8.3 and 19.3) to Promontory. The Closure Packs were submitted before the relevant due dates set out in the RAP.

- Promontory assessed three Management Governance Theme Milestones (Milestones 6.3, 7.5 and 14.4) as complete and effective. The Closure Packs for these Milestones were submitted in the Fifth and Sixth Reporting Period.

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

As at that date, Promontory was yet to start its review of three Management Governance Theme Milestones (Milestones 7.6, 8.3 and 19.3), the Closure Packs for which were submitted in late March.

Taking into account Milestones assessed as complete and effective in previous reporting periods, as at the Reporting Date, a total of 16 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 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	◑

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Progress
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	◐
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 in 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 14) to Promontory. The Closure Pack was submitted before the relevant due date set out in the RAP.

- The Program was working on the four remaining Recommendation Closure Packs for this Theme.

At the Reporting Date, Promontory was yet to start its review of the Closure Pack for the Management Governance Theme Recommendation (Recommendation 14) submitted in the Reporting Period.

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	NFRC	The ELT NFRC will raise the visibility and stature of NFRC, and provide a central view for considering NFR issues across the Group	Jun-20	◔
14	Head of Compliance	Compliance matters receive an increased level of consideration at the Board and ELT level	Mar-20	◑
19	Regulator engagement	Adopting a revised regulatory engagement strategy will promote a stronger relationship with regulators and more proactive identification and management of regulatory issues	Jul-20	◔

4.2. Management Governance Theme Milestone Assessment Outcomes

4.2.1. Assessment of Recommendation 6 Milestone

The Target State for Recommendation 6 is that each member of the ELT is held accountable and assessed against a set of shared priorities approved by the CEO and the Board and embedded in the Group's performance management framework. The Target State lists the shared priorities for FY19.

Milestone 6.3

Milestone 6.3 (an Embed Milestone) requires the completion of interim and final performance assessments of GEs based on a revised KPI structure with the Group Strategy Scorecard as a key input.

CBA has confirmed and provided evidence that:

- interim and final performance reviews have been completed for the CEO and all GEs, with final outcomes approved by the PRC and Board; and

- each GE has been assessed against the Shared Priorities with reference to the Group Strategy Scorecard, and links to the relevant Strategic Execution KPI in the GE/CEO Scorecard.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 6.2 in relation to:

- how, in practice, CBA populates and uses scorecards in the GE performance review process;

- the information taken into account in GE performance assessments;

- how Group-level performance impacts GE scorecard KPIs; and

- the consistency of remuneration decisions and transparency about the rationale for adjustments to and differences between GE remuneration outcomes.

CBA provided a Sustainability Plan for this Milestone designed to ensure the Target State continues on an ongoing basis. The Sustainability Plan has a number of elements including accountabilities and infrastructure, metrics, controls and 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 (including the Group's CEO) on matters including:

- the links between the Group Strategy Scorecard, the assessment of Shared Priorities, Group-level performance impacts and remuneration outcomes;

- Board and PRC discussions in relation to Shared Priorities and remuneration outcomes;

- CBA's approach to the assessment of collective accountability and resulting remuneration impacts; and

- a standard operating procedure designed to monitor maintenance of the Target State, corrective actions in the event of non-compliance and the allocation of accountabilities for the standard operating procedure.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that each member of the ELT has been held accountable and assessed against a set of Shared Priorities with reference to the Group Strategy Scorecard.

As such, we consider that:

- the Milestone's Closure Criteria have been met;

- CBA has adequately addressed matters raised in our assessment of prior Milestones for this Recommendation;

- the Target State has been achieved; and

- the design of the Sustainability Plan is sufficient to support the maintenance of the Target State on an ongoing basis.

The Milestone is, therefore, complete and effective.

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

- whether the standard operating procedure to support the Sustainability Plan has been finalised and whether it includes adequate detail in relation to Shared Priorities; and

- whether the Sustainability Plan has been updated to include:

  o clear references to Shared Priorities and ensuring controls are documented in RiskInSite;

  o the process for agreeing Shared Priorities at the start of the remuneration cycle; and

  o an end-of-cycle review of outcomes and process effectiveness, including ensuring performance against agreed Shared Priorities is included in final remuneration outcomes.

4.2.2. Assessment of Recommendation 7 Milestone

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

Milestone 7.5

Milestone 7.5 (an Embed Milestone) requires CBA to engage an external party to conduct a review, (which will include interviews with the members of the ELT), in respect of the behaviours and interactions of the ELT. As part of its scope, the review will assess:

- the effectiveness of the way in which the ELT discusses, understands and takes action to mitigate the impact of risks that span BUs;

- the effectiveness of the way in which the ELT promotes the voice of SUs as an effective counterbalance to the BUs; and

- the way in which the ELT engages in constructive challenge and debate.

CBA has confirmed and provided evidence that:

- an External Behavioural Review has been conducted by a consultant which considered whether the ELT was exhibiting the characteristics set out in the Closure Criteria and Target State;

- the External Behavioural Review included a survey and interviews, the results of which were grouped into themes linked to the characteristics specified in the Closure Criteria;

- the External Behavioural Review concluded that the characteristics specified in the Closure Criteria had been consistently applied; and

- the ELT has discussed and developed an Action Plan structured around three focus areas (finding ways to help people execute better, generating more simplicity, and increasing the level of inquiry and curiosity in the ELT) supported by an approach to continuous improvement.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 7.3 in relation to:

- the granularity of information collected in the External Behavioural Review; and

- an assessment of individual ELT members in relation to the characteristics specified in the Target State and Closure Criteria.

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 accountabilities and infrastructure, metrics, controls and reporting.

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

- the mechanisms and measures used to collate and aggregate the 'scores' from interviews and the survey results;

- further detail on aspects of the Action Plan;

- the CEO's perspectives on the External Behavioural Review findings and areas requiring additional focus; and

- the operation of the Sustainability Plan, including documentation of processes to measure and monitor whether the Target State is being met on an ongoing basis and visibility of ongoing compliance with the Plan's processes.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that an external party had been engaged to conduct a review of the ELT in relation to the required behavioural characteristics, outcomes from the External Behavioural Review had been discussed and an action plan to address focus areas had been approved.

 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.

4.2.3. Assessment of Recommendation 14 Milestone

The Target State for Recommendation 14 is compliance matters receiving an increased level of consideration at the Board and ELT level which will be a factor in promoting better compliance risk management outcomes.

Milestone 14.4

Milestone 14.4 (an Embed Milestone) requires that the EGM Compliance attend Board and/or BRCC meetings, as required, on matters relating to compliance.

CBA has confirmed and provided evidence that the EGM Compliance has attended the Board, BRCC and ELT NFRC meetings in respect of matters relating to compliance and the Board, BRCC, ELT NFRC has been provided with updates on regulatory and compliance matters.

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 accountabilities and infrastructure, metrics, controls and reporting.

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

- aspects of the management of actions arising from Board, BRCC and ELT NFRC meetings;

- how the time dedicated to compliance matters at meetings of the Board, BRCC and ELT NFRC and the documentation and information provided to those meetings has changed since January 2018;

- how resourcing of the Group Compliance Function and BU/SU Compliance Teams has changed since January 2018; and

- the governance arrangements for the Sustainability Plan, including how failure of controls to maintain the Target State are escalated.

Based on our assessment of the Milestone Closure Pack, the additional information we received, and the interviews we conducted, we concluded that compliance matters are receiving an increased level of consideration at Board and ELT level which will support better compliance management outcomes.

As such, we consider that:

- the Milestone's Closure Criteria have been met;

- 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.

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 challenge and assurance.

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:

- The Program submitted the Closure Pack for one Operating Model (3LoA) Theme Milestone (Milestones 9.4) to Promontory. The Closure Pack was submitted before the relevant due date set out in the RAP.

- Promontory assessed three Operating Model (3LoA) Milestones (Milestones 9.1b, 9.4a and 10.3) as complete and effective. The Closure Pack for these Milestones were 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 yet to start its review of one Operating Model (3LoA) Theme Milestone (Milestone 9.4), the Closure Pack for which was submitted in late March.

Taking into account Milestones assessed as complete and effective in previous reporting periods, as at the Reporting Date, a total of seven 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 of Lines 1 and 2 to ensure they operate in accordance with the 3LoA Activities for OR&C	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 in closing the Operating Model (3LoA) Theme Recommendations is set out in Table 5.2.

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

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 Milestones

The Target State for Recommendation 9 is to have consistent adherence to CBA's 3LoA Principles across BU/SUs, with any deviations documented and considered by the ELT on a case-by-case basis and approved only in exceptional circumstances. Line 1 owns and manages its risks and Line 2 is responsible for providing independent review and challenge.

a)   Milestone 9.1b

Milestone 9.1b (a Design Milestone) requires the roles and mandates of CCOs and the Line 2 Risk Stewards to be defined, documented and endorsed by the ELT.

CBA has confirmed and provided evidence that:

- the ELT has endorsed papers summarising the role and mandate of the Risk Stewards and providing an overview of the CCO role;

- a matrix of responsibilities for Risk Stewards has been developed; and

- an analysis of the impact of the Risk Steward role on the 3LoA Principles has been conducted.

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

- the analysis of the impact of Line 2 Risk Stewards;

- the matrix of responsibilities for Line 2 Risk Stewards; and

- the role profile of Line 2 Risk Stewards.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that the roles and mandates of the CCOs and the Line 2 Risk Stewards adhere to the 3LoA Principles and have been defined, documented and endorsed by the 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 Milestones for this Recommendation will assess whether:

- the review required by Milestone 9.5a confirms that the delineation of activities between the Risk Stewards, and other Line 2 and Line 1 roles (including CCOs) are clearly understood; and

- the activities noted in the CBA matrix of responsibilities are in fact being completed and embedded.

b)   Milestone 9.4a

Milestone 9.4a (an Implement Milestone) requires the Risk Stewards for the Prioritised Risk Types (Financial Crimes Compliance, Privacy and Data Management) to be in place and the appointments, role and mandates to have been communicated to the ELT, CCOs and CROs.

CBA has confirmed and provided evidence that:

- it has appointed Line 2 Risk Stewards for the Financial Crimes Compliance, Privacy and Data Management risk types, respectively; and

- the appointments, and responsibilities of the Risk Stewards have been communicated to members of the ELT, CCOs and CROs, confirming the appointments were effective immediately.

After reviewing Closure Packs for this Milestone, Promontory requested and received further information and interviewed relevant stakeholders about the:

- the criteria used to select the Risk Stewards for the Prioritised Risk Types;

- the capacity of the Risk Stewards to fulfil their responsibilities; and

- the recipients of communications about the appointment of the Risk Stewards.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that the Line 2 Risk Stewards for the Prioritised Risk Types are in place and the appointments, role and mandates have been communicated to the ELT, CCOs and CROs.

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

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

- the selection criteria to be used for Risk Stewards for the remaining risk types;

- whether the gaps identified in the responsibilities of recently appointed Risk Stewards have been addressed; and

- whether the recently appointed Risk Stewards have sufficient capacity to perform their roles and carry out all their responsibilities.

5.2.2. Assessment of Recommendation 10 Milestone

The Target State for Recommendation 10 is that BU CROs are, and are perceived to be, independent from BUs, but continue to be well-connected to BUs to enable them to provide effective review and challenge.

Milestone 10.3

Milestone 10.3 (an Embed Milestone) requires:

- BU CROs to evidence effective challenge and document their independence in a BU CRO Scorecard; and

- the Group CRO to complete a performance assessment of BU CROs, with outcomes demonstrating BU CROs providing effective challenge to BUs.

CBA has confirmed and provided evidence that:

- each BU CRO completed a BU CRO Scorecards including an attestation and self-assessment by the BU CRO, and an assessment by the BU CRO's manager and the Group CRO; and

- BU CROs attended BU leadership meetings.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 10.2 in relation to:

- the development of BU CRO Engagement Protocols which set out measures to reinforce CRO independence and appropriate embedment;

- the updating of internal directory entries for all BU CROs to remove the current dotted reporting line from BU CROs to BU GEs and senior leaders, and clarifying that BU CROs report to the risk function;

- the updating of BU CRO KPIs and position descriptions to confirm and explicitly require the independence of BU CROs; and

- BU CROs being well-connected to the BU through co-location of the BU CRO with the business and requiring and reinforcing the need for BU CRO attendance at BU leadership team meetings and risk governance meetings.

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 accountabilities and infrastructure, metrics, controls and reporting.

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

- aspects of BU/SU CRO Scorecard attestations including the co-location requirement;

- aspects of the KPIs relating to BU/SU CRO Independence;

- attendance at certain BU leadership meetings;

- details of the feedback from BU Senior Leaders sought by the Group CRO; and

- how elements of the Sustainability Plan collectively support the Target State being maintained on an ongoing basis.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that the Scorecard for each BU CRO and the Group CRO's assessment of performance demonstrated BU CRO's independence and their connection to the BUs.

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:

- documentation about the approach to be taken in relation to the CMLA Line of Business; and

- whether updated Engagement Protocols have clarified the expectation of CRO co-location with BU/SUs and clarified that feedback from BU Senior Leaders will be sought at the discretion of the Group CRO.

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 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:

- No Milestone Closure Packs for this Theme were submitted to Promontory.

- Promontory assessed one Risk Appetite, Taxonomy and Standards Theme Milestone (Milestone 12b.2a) as complete and effective[24]. The Closure Pack for this Milestone was submitted in the Sixth Reporting Period.

- The Program was working on two Implement Milestones and four Embed Milestones for this Theme. Work had yet to start on one other Implement Milestone and one other Embed Milestone.

At the Reporting Date, Promontory was assessing two Risk Appetite, Taxonomy and Standards Milestones (Milestones 12a.6, and 12c.2), the Closure Packs for which were submitted in May and November 2019.

Taking into account Milestones assessed as complete and effective in previous reporting periods, as at the Reporting Date, a total of ten 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[25]	◔

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[24] We formally assessed Milestone 12d.2 as complete and effective early in the Seventh Reporting Period, but for the purposes of our Reports we considered it to have been assessed as complete and effective in the Sixth Reporting Period.

[25] The due date for Milestone 12a.7 was moved from February 2020 to June 2020 during the Reporting Period.

#	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 high-quality discussion on emerging risks and receives effective reporting on risks from BU/SU forums	Oct-20	◔
12d	Line 2 assurance	12d.1 Design	Define the Line 2 Assurance/Monitoring Program for OR&C	Dec-18	●
		12d.2 Implement	Design Line 2 assurance plans and train Line 2 staff doing assurance activity	Jun-19	●
		12d.2b Implement	Consider and apply changes to design of Line 2 Assurance Standard, Procedure, governance and Plans	Jun-20	◔
		12d.2c Implement	Roll out finalised FY21 Line 2 Assurance Program to BU/SU Line 2	Sep-20	○
		12d.3 Embed	FY21 Line 2 Assurance Programs are operational, Line 3 assesses the Programs and appropriate management action (as relevant) is agreed	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 in 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	A Group RAS establishes clarity on the Board's risk appetite for OR&C risk types and enables the Group to make pre-emptive risk decisions	Sep-20	◔
12b	NFR minimum standards	Clear, simple and enforceable OR&C minimum standards uplift NFR management and are continually refreshed	May-21	◔
12c	Emerging risks	The ELT NFRC dedicate specific agenda time to understanding and addressing emerging risks resulting in more proactive identification and management of risks	Dec-20	◔
12d	Line 2 assurance	A Line 2 Assurance Plan is deployed to provide selected, targeted and effective independent assurance over BU/SU risk profiles	May-21	◔

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

6.2.1. Assessment of Recommendation 12b Milestone

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

Milestone 12b.2a

Milestone 12b.2a (an Implement Milestone) requires CBA to define minimum standards for Wave One risk types and ORMF and CMF standards (as set out in the RAP). It also requires that the ELT NFRC endorse policy suites for the Wave One risk types, and that they are communicated across the Group.

CBA has confirmed and provided evidence that:

- the following policy suites for Wave One risk types have been developed:

  o the Group Conflicts Management Policy, Group Conflicts Management Procedure, and Group Gifts and Entertainment Procedure;

  o the Group Compliance Incident Management Standard and Procedure; and

  o the Group Data Management Policy;

- the ELT NFRC has endorsed the policy suites for the Wave One risk types; and

- the policy suites have been communicated across the Group, leveraging the Drop Process communications and roll out approach.

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

- the approvals in relation to certain standards and procedures in the policy suites;

- the extent to which the policy suites have applied the minimum standards criteria (as set out in Milestone 12b.1) consistently;

- CBA's approach to ensuring that applicable compliance obligations are integrated into the relevant policy suites during the policy development process; and

- CBA's proposed approach to implementing the Conflicts Management Policy.

Based on our assessment of the Milestone Closure Pack, and the additional information we received, we concluded that CBA has developed minimum standards for the policy suites for the Wave One risk types, the ELT NFRC has approved the policy suites, and the policy suites have been communicated 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.

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

- what actions CBA has taken to ensure consistency in articulating certain minimum standard criteria across the policy suites for the Wave One risk types;

- whether there have been changes to the minimum standard criteria templates and the approach to applying the minimum standards to policy suites to ensure consistency going forward; and

- the approach CBA has taken to ensure that applicable compliance obligations are integrated into the relevant policy suites.

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.

During the Reporting Period:

- The Program submitted the Closure Pack for one Accountability and Controls Delivery Theme Milestone (Milestone 12e.3b) to Promontory. The Closure Pack was submitted before the relevant due date set out in the RAP.

- Promontory assessed three Accountability and Controls Delivery Milestones (Milestones 12e.3a, 12f.2 and 16.2) as complete and effective. The Closure Packs for these Milestones were submitted in the Sixth Reporting Period.

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

At the Reporting Date, Promontory was yet to start its review of one Accountability and Controls Delivery Theme Milestone (Milestone 12e.3b), the Closure Pack for which was submitted in late March.

Taking into account Milestones assessed as complete and effective in previous reporting periods, as at the Reporting Date, a total of six of the 14 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 baselining for Financial Crimes Compliance	Jul-20	◕
		12e.3d Implement	Complete updating BU/SU Risk Profiles via baselining for Privacy and Data Management	Dec-20	◔
		12e.4a Embed	Evidence of an improvement in the effectiveness of Risk, obligations and Control environment for Financial Crimes Compliance	Sep-20	◔
		12e.4b Embed	Evidence of an improvement in the effectiveness of Risk, obligations and Control environment for Privacy and Data Management	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 at the Reporting Date.

Progress in 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 in captured as issues and addressed	May-21	◔
12f	Root causes	A revised standard for Issue Management that ensure root cause analysis is conducted where appropriate is consistently met by BU/SUs	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.

Milestone 12e.3a

Milestone 12e.3a (an Implement Milestone) requires that standard Risk Profile Consolidation and Value Chain Mapping Templates are provided to BU/SUs and used to improve the clarity of accountabilities and risk ownership. This is supported by the development of Value Chain Guidance outlining minimum standards for value chains for and guidance on Risk Profile governance and by reporting of how BU/SUs are to maintain their BU/SU Risk Profiles.

CBA has confirmed and provided evidence that:

- BU/SUs had been provided with standard templates for the conduct of Risk Profile Consolidation and Value Chain Mapping;

- the templates have been completed by all BU/SUs except AHL;

- the completed templates have been the subject of a consistency review by the Central RAP Team; and

- the Risk, Obligations and Control Ownership Principles have been presented to the ELT NFRC in draft, and the Principles will be submitted for final endorsement following the completion of baselining under subsequent Milestones.

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

- steps to ensure templates were completed consistently across the Group; and

- confirmation that a template had been completed for the AHL Line of Business.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that CBA has delivered the templates and guidance as required by the Milestone and that, although a draft of the Risk, Obligations and Control Ownership Principles has been

presented to the ELT NFRC, it is appropriate for the final version of the Principles to be endorsed under a later Milestone once baselining is completed.

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 Milestones for this Recommendation will consider whether the ELT NFRC has endorsed the finalised Risk, Obligations and Control Ownership Principles.

7.2.2. Assessment of Recommendation 12f Milestone

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

- root cause analysis is conducted where appropriate;

- appropriate actions are developed and taken in a timely manner;

- adequate actions are taken by Line 1 to ensure issues have been addressed at the time of closure;

- steps are in place to monitor the risk of recurrence; and

- Line 2 and Line 3 assurance roles are specified.

Milestone 12f.2

Milestone 12f.2 (an Implement Milestone) requires:

- root cause analysis and actions to be applied across all applicable issues and documented in RiskInSite in line with the Issue Management Standard; and

- a back book approach for existing issues to be endorsed by the ELT NFRC, communicated to BU/SUs and completed.

CBA has confirmed and provided evidence that:

- the Root Cause Analysis Procedure outlining accountabilities has been rolled out to BU/SUs;

- root cause analysis and actions are being applied to applicable issues and documented in RiskInSite;

- the ELT NFRC has endorsed the back book approach which has been communicated to and is being applied by BU/SUs;

- BU/SUs are reporting on issue management to the BU/SU NFRCs with monthly reporting delivered to the ELT NFRC in OR&C Profile Reports; and

- a dashboard, supported by training and a guidance document, has been created to provide better visibility of issue management and root cause analysis.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 12f.1 in relation to:

- the back-book approach for existing issues; and

- the training of facilitators to support the delivery of root cause analysis workshops.

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

- the progress of work to address the back book issues;

- aspects of ELT NFRC endorsement of the back book approach;

- trends evidenced in the root cause analysis undertaken to date; and

- the approach being taken to ensure consistent use of the dashboard.

Additionally, Promontory attended a walkthrough of the RiskInSite system to observe how root cause analysis was being recorded.

Based on our assessment of the Milestone Closure Pack, the additional information we received, the interviews we conducted and the walkthrough of the RiskInSite system, we concluded that CBA has developed and applied an appropriate approach to performing root cause analysis as part of the broader Issue Management Standard.

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 our assessment of the Embed Milestone for this Recommendation will consider:

- whether root cause analysis is being conducted in line with the Issue Management Standard and Procedure and the documentation of that analysis and evidence is being entered into RiskInSite;

- how root cause analysis findings are being translated into actions to improve the control environment; and

- the quality of reporting on issues, including root cause analysis, to Board Committees, the ELT NFRC and BU/SU NFRCs.

7.2.3. Assessment of Recommendation 16 Milestone

The Target State for Recommendation 16 is that:

- the ELT and Board have timely and effective oversight of issues raised by internal audit, regulators, staff and other sources;

- BU/SUs have processes to identify, act on and ensure resolution of issues in a timely and effective manner; and

- appropriate assurance (including appropriate Line 2 and Line 3 assurance) is in place to ensure effective resolution and closure.

Milestone 16.2

Milestone 16.2 (an Implement Milestone) requires that the updated Issue Management Standard is rolled out to BU/SUs and that the roll out includes ongoing monitoring, application to new and existing issues, application of Line 2 and Line 3 requirements, and RiskinSite being updated.

CBA has confirmed and provided evidence that:

- the Issue Management Standard has been designed and rolled out to each BU/SU through the Drop Process;

- Line 1 has regularly reported the status of issues to the BRCC, ELT NFRC and BU/SU governance forums;

- Line 2 has provided updates on issue management to the Board and ELT NFRC on a monthly basis; and

- Line 3 has reported to the BAC regularly on audits performed, updates to the Audit Plan, root cause analysis of findings and the status of remediation issues.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 16.1 in relation to the approach to Risk Improvement Opportunities and the revised Risk Matrix.

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

- the measures taken to improve consistency in the use of dashboards by BU/SUs in reporting how issues are being managed;

- progress of work to address the medium rated back book issues;

- progress of work related to the reallocation of issues which no longer meet the definition of a Risk Improvement Opportunity; and

- progress in addressing the findings of Line 2 reports on the status of Long Dated Issues and Red Audit Reports.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the walkthrough of the RiskInSite system described in our assessment of Milestone 12f.2, we concluded that CBA has implemented appropriate reporting to the Board and ELT to support effective oversight, assurance and resolution of issues.

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

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.

As noted in section 2.1, the Program added one new Milestone (Milestone 15.4a) to this Theme during the Reporting Period.

This Milestone requires the application of baselining of conduct risk in enhancing BU/SU risk profiles, using the approach taken to Financial Crimes Compliance, Privacy and Data Management risk baselining in Recommendation 12e.

Milestone 15.5 has also been revised to include the provision of Conduct Risk Baselining Guidance to BU/SUs.

During the Reporting Period:

- No Milestone Closure Packs for this Theme were submitted to Promontory.

- Promontory assessed three Customer Outcomes Theme Milestone (Milestones 15.4, 17.2 and 18.2) as complete and effective. The Closure Packs for these Milestones were submitted in the Sixth Reporting Period.

- The Program was working on the two remaining Implement Milestones and three Embed Milestones for this Theme. Work had yet to start on one other Embed Milestone for this Theme.

Taking into account Milestones assessed as complete and effective in previous reporting periods, as at the Reporting Date, a total of ten 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 RMA 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 baselining for first wave of conduct risk prioritised risk types	Jun-20	◕
		15.5 Embed	Conduct Risk Strategy embedded across the Group and Conduct Risk Baselining Guidance material provided	Feb-21[26]	◔

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[26] The due date for Milestone 15.5 was moved from December 2020 to February 2021 during the Reporting Period

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Status
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	Jun-20	◔
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	Jun-20	◔
21	'Should we'	21.1 Design	Articulate how references to expect customer outcomes will be incorporated into key Group policies	Jun-19	●
		21.2 Implement	BU/SUs implement changes as a result of updates to key Group polices	Dec-20	◔
		21.3 Embed	Apply key Group policies related to Customer and Communities outcomes in governance forums	Feb-21	○

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

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

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	Sep-20	◔
18	Systemic issues	Further system improvements to increase the use of data and analytics to drive insights on systemic issues are developed and implemented	Sep-20	◔
21	'Should we'	Championing the 'should we' question drives better customer outcomes by ensuring that decision-makers actively consider customer outcomes	May-21	◔

8.2. Customer Outcomes Theme Milestone Assessment Outcomes

8.2.1. Assessment of Recommendation 15 Milestone

The Target State for Recommendation 15 is that:

- consideration of conduct is fully embedded across CBA, including in key decision-making processes, risk profile reviews and employee life-cycle management;

- the Group's RMA sets out clear principles on conduct, and is supported by a well-communicated and well-understood Code of Conduct;

- the Group RAS provides clear metrics and qualitative statements that define CBA's appetite with respect to conduct risk; and

- the Conduct Risk Strategy is embedded across the Group, including in key decision making processes and employee lifecycle management.

Milestone 15.4

Milestone 15.4 (an Implement Milestone) requires:

- the Conduct Risk Strategy is implemented across the Group, with reporting to the Board and ELT NFRC on the Group's progress, incorporation of the 'should we' question and the Code of Conduct into decision making processes and aspects of the employee lifecycle;

- enhanced monitoring and measurement of compliance with the strategy;

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- conduct risks being included in the Group RAS; and

- communication to the BU/SUs of the requirement to review and assess their conduct risks and controls.

CBA has confirmed and provided evidence that:

- Board and ELT NFRC papers include information relating to progress in embedding the Conduct Risk Strategy and actions taken in response to any concerns;

- the 'should we' question and conduct considerations have been incorporated into the Strategic Prioritisation Process and into Charters for key decision-making forums, including BU Product Governance Forum Charters;

- progress has been made in enhancing the approach to conduct risk measurement, assessment, reporting and oversight;

- communications have been made to BU/SUs about 'conduct risk baselining'; and

- toolkits are under development to support conduct risk baselining.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestones 15.2a and 15.3 in relation to:

- setting out the 'should we' question clearly in the Code of Conduct;

- the communication of information regarding the Code of Conduct and 'should we' question across the Group; and

- including information about the Code of Conduct and 'should we' question in interview guides and role profile templates.

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

- updates to Charters for key decision making forums;

- a survey to evaluate the effectiveness of leader-led training to support roll out of the Strategy;

- application of the Code of Conduct to worked scenarios for the online training to support the roll out of the Strategy;

- how the AHL Line of Business has incorporated the Code of Conduct and 'should we' question; and

- the timing of Targeted Conduct Reviews due to be performed by Line 2.

CBA confirmed that the Targeted Conduct Reviews have been removed from the FY20 Assurance Plan in order to increase focus on conduct risk baselining activities. The baselining activities will have a significant impact on improving the effectiveness of conduct risk activities. Promontory considers the delay of the Targeted Conduct Reviews appropriate at this time.

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

- the papers and agenda of the Board and ELT NFRC contain adequate information on the Group's progress in implementing the Conduct Risk Strategy;

- the 'should we' question and the Code of Conduct have been incorporated into decision making and the employee lifecycle; and

- there has been sufficient communication to the BU/SUs of the requirement to review and assess their conduct risks and controls.

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 any findings and recommendations from the currently postponed Targeted Conduct Reviews.

8.2.2. Assessment of Recommendation 17 Milestone

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

Milestone 17.2

Milestone 17.2 (an Implement Milestone) requires complaints reporting to be tabled at the Board, ELT NFRC, BU/SU NFRCs and other applicable forums.

CBA has confirmed and provided evidence that:

- reporting has been tabled at meetings of the Board and ELT NFRC about the total number of complaints received on a monthly basis, the top 3 causes of complaints by BU/SU and complaint resolution time with case study examples;

- BU/SU NFRC complaints papers have been tabled at all BU/SU NFRCs;

- the Complaints Governance Forum, which provides a forum for BUs to share complaints experiences, practices and observations, has been established; and

- a guidance note reinforcing the requirement for Product Governance Fora to review complaints and systemic issues has been issued.

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

- how CBA expects complaints reporting to evolve as data analysis matures and customer insights improve;

- actions taken in response to the opportunities identified in the September 2018 Better Practice Review on complaints management;

- aspects of reporting to the Board, the ELT NFRC, BU/SU NFRCs and Product Governance Forums; and

- aspects of the operation of the Complaints Governance Forum.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that complaints reporting that will elevate the focus on customer complaints is tabled at the Board, ELT NFRC and BU/SU NFRCs.

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

In finalising our assessment, we foreshadowed that our assessment of the Embed Milestone for this Recommendation will consider the finalised and approved Charter for the Complaints Governance Forum.

8.2.3. Assessment of Recommendation 18 Milestone

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

Milestone 18.2

Milestone 18.2 (an Implement Milestone) requires the endorsed and funded enhancements to identifying systemic issues from customer complaints to be implemented, and systemic issues insights to be included in reporting at Board, ELT NFRC, BU/SU NFRCs and other applicable fora to influence customer-related decisions.

CBA has confirmed and provided evidence that:

- three analytical models have been developed and are being used to identify systemic issues in customer complaints;

- systemic issues insights are being identified by the models; and

- reporting on systemic issues is being provided to the Board, ELT NFRCs and some BU/SU NFRCs.

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

- the process used by the Customer Advocate to assess, prioritise and understand the root causes of potential systemic issues;

- aspects of reporting on systemic issues insights;

- plans to uplift how systemic issues are identified and reported in certain parts of the Group;

- training to uplift capability in recording complaints and identifying potential systemic customer issues; and

- the guidance provided to BUs on reporting systemic issue insights.

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 enhancements to its ability to identify systemic issues insights from customer complaints and that these insights are reported to the Board, ELT NFRC, and BU/SU NFRCs.

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

In finalising our assessment, we foreshadowed that our assessment of the Embed Milestone for this Recommendation will consider the quality of systemic issues insights reported to the Board, ELT NFRC, BU/SU NFRCs and other applicable forums.

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 GEs.

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 Milestones

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.

During the Reporting Period:

- The Program submitted Closure Packs for five Culture, Capability and Consequences Theme Milestones (Milestones 13.1b, 27.2a, 28.2a, 29.2a and 30.2a) to Promontory. The Closure Packs were submitted before the relevant due dates set out in the RAP.

- Promontory assessed three Culture, Capability and Consequences Theme Milestones (Milestones 22.2, 23.2 and 25c.3) as complete and effective. The Closure Packs for these Milestones were submitted in the Sixth Reporting Period.

- The Program was working on the six remaining Implement Milestones and seven Embed Milestones for this Theme. Work had yet to start on five other Embed Milestones.

At the Reporting Date, Promontory was assessing one Culture, Capability and Consequences Theme Milestones (Milestones 24b.2), the Closure Pack for which was submitted in December 2019, and was yet to start its review of five Culture, Capability and Consequences Theme Milestones (Milestone 13.1b, 27.2a, 28.2a, 29.2a and 30.2a), the Closure Packs for which were submitted in late March.

Taking into account Milestones assessed as complete and effective in previous reporting periods, as at the Reporting Date, a total of 24 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 uplift implemented	Jul-20	◕
		13.3 Embed	Refresh of risk capability plans presented to ELT NFRC	Feb-21	◔

#	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	●
		22.3 Embed	Accountability consequences are reflected in key individuals' performance reviews and the remunerations and consequences outcomes for FY20	Oct-20	◔
23	Board governance of remuneration	23.1 Design	Develop plans for enhanced Board governance and processes for remuneration	Mar-19	●
		23.2 Implement	Implement enhanced governance processes including increased reporting and review	Dec-19	●
		23.3 Embed	Board PRC exercises stronger governance on CEO and GE remuneration outcomes	Dec-20	◔
24a	CRO assessment	24a.1 Design	Enhance the CRO assessment of CEO and GE risk scorecards	Jun-18	●
		24a.2 Implement	Finalise enhanced CRO assessment of CEO and GE performance	Aug-18	●
		24a.3 Embed	The Board uses further enhanced CRO assessment in determining appropriate CEO and GE remuneration outcomes	Aug-19	●
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.3 Embed	Management provides analytics and reporting in line with Target State requirements	Feb-21	◔

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

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
26	Remuneration framework review	26.1 Implement	Implement upside remuneration facility for positive risk assessment	Oct-18	●
		26.2 Design	Review the Group Remuneration Policy, informed by better global practices	Jun-19	●
		26.3 Implement	Reflect enhancements in FY19 remuneration outcomes	Jun-20	◔
		26.4 Embed	FY20 remuneration outcomes reviewed by PRC and shown through analysis to be consistent with the fully updated remuneration frameworks and policies	Nov-20	○
27	Culture of self-reflection	27.1 Design	Establish baselines and develop plans to uplift risk culture mindsets and behaviours with targeted initiatives on self-reflection	Mar-19	●
		27.2a Implement	Implement targeted interventions on senior leader capability, leadership diagnostics and performance assessment	Mar-20	◐
		27.2b Implement	Refresh targeted interventions based on new insights	May-20	◔
		27.3 Embed	Conduct annual risk culture reassessment and refresh of the targeted initiatives to reinforce senior leadership challenge	Feb-21	○
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	Conduct annual risk culture reassessment and refresh of the targeted initiatives to cascade good risk management	Feb-21	○

#	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	Conduct annual risk culture reassessment and refresh of the targeted initiatives to ensure effective working relationship between BUs and Risk	Feb-21	○
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	Conduct annual risk culture reassessment and refresh the targeted initiatives to shift staff mindsets and behaviours	Feb-21	○

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

During the Reporting Period:

- The Program submitted the Closure Pack for one Culture, Capability and Consequences Theme Recommendation (Recommendation 24a) to Promontory. The Closure Pack was submitted before the relevant due date set out in the RAP.

- The Program was working on the 13 remaining Recommendation Closure Packs for this Theme.

At the Reporting Date, Promontory was yet to start its review of the Closure Pack for the Culture, Capability and Consequences Theme Recommendation (Recommendation 24a) submitted in the Reporting Period.

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	May-21	◕
22	Accountability Principles	The Accountability Principles are incorporated for GEs, tailored and cascaded across the Group, and accountability frameworks embedded	Feb-21	◕
23	Board governance of remuneration	The PRC has the visibility, knowledge and expertise to challenge the Group and Executive remuneration process and its outcomes	Mar-21	◕
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	May-21	◕
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	Mar-21	◕
25a	Board guidance on risk adjustments	The Board sets the tone from the top with clear expectations and comprehensive guidance and criteria on how adjustment to remuneration should be determined for positive or poor risk outcomes and behaviours	Nov-20	◕
25b	Risk function support on risk adjustments	Robust application of the risk assessment process, and the risk modifier supported by challenge from the Risk function to link risk outcomes with remuneration	Nov-20	◕
25c	Communication of outcomes	Internal and external transparency and communication of the remuneration impact of positive and poor risk outcomes reinforces the Group's culture expectations and accountabilities	Nov-20	◕

#	Recommendation Description	Target State Description	Due Date	Progress
26	Remuneration framework review	All key remuneration frameworks and practices are reviewed and, where appropriate, aligned to better global practice	Feb-21	
27	Culture of self-reflection	Senior Leader demonstrate appreciation and capability for reflection, challenge and learning	May-21	
28	Personal and authentic leadership	Senior Leader capabilities are uplifted to enable role modelling of good risk management	May-21	
29	BU/SU relationships	Relationships of mutual respect and open communication, between BU/SU and risk counterparts at all levels	May-21	
30	Vision and Values	The Group's refreshed Values set clear expectations for the ethical behaviours and pro-active action to deliver optimal outcomes	May-21	

9.2. Culture, Capability and Consequences Theme Milestone Assessment Outcomes

9.2.1. Assessment of Recommendation 22 Milestone

The Target State for Recommendation 22 is that:

- the Accountability Principles set out in the Inquiry Report are incorporated into Accountability Statements for GEs and tailored and cascaded across the Group; and

- the culture and framework for accountability is embedded in the Group to ensure clarity of ownership, strong end-to-end collective accountability and ownership, and proportionate consequences for poor risk and customer outcomes.

Milestone 22.2

Milestone 22.2 (an Implement Milestone) requires the Accountability Principles to be implemented by a range of measures, including:

- incorporating the Principles in BEAR Accountability Statements and processes for existing accountable persons;

- refreshing and strengthening accountability frameworks and processes (including clarifying risk ownership for all risk types and, reporting on the effectiveness of the application of the Principles); and

- communicating Accountability Principles to lower level staff, training them in relation to new requirements and incorporating principles into FY20 staff performance reviews.

CBA has confirmed and provided evidence that:

- Accountability Statements for all BEAR Accountable Persons explicitly include the Accountability Principles;

- Accountability Principles and Statements have been used to develop KPIs, which are assessed as part of the performance assessment process;

- Accountability Frameworks have been or are being revised; and

- Accountability Principles have been communicated to staff (including via workshops and training sessions), with a focus on levels of GM and above.

CBA also provided evidence of progress in addressing the actions and issues highlighted in our assessment of Milestone 22.1 in relation to:

- endorsement by each Accountable Person of their BEAR Accountability Statement and lodgement of those Statements with APRA; and

- development of Accountability Statements for EGMs and supporting artefacts.

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

- processes for non-compliance with accountability frameworks and plans for Line 2 effectiveness reviews;

- incorporating Accountability Principles into performance assessment processes;

- evidence of consequence management actions arising from performance assessments;

- processes for maintaining accountability artefacts; and

- the mechanism to communicate and cascade the Accountability Principles for roles levels EM and lower.

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 implemented the Accountability Principles by way of Accountability Statements, accountability frameworks, communication and training, and performance assessment processes.

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

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

- the effectiveness of processes to review and maintain BEAR and EGM accountability artefacts;

- the effectiveness of processes to develop and review role statements (in line with the Group Position Description template);

- the maturity of the approach to assessing collective accountability (including end-to-end ownership); and

- the effectiveness of mechanisms to ensure the appropriate correlation between collective accountabilities and remuneration outcomes.

9.2.2. Assessment of Recommendation 23 Milestone

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

Milestone 23.2

Milestone 23.2 (an Implement Milestone) requires the implementation of phased enhancements to remuneration governance processes, including:

- application of revised BRCC, BAC and PRC meetings processes;

- review of CEO and GE performance incorporating individual and collective accountability for risks;

- increased quantitative reporting to the PRC; and

- cascading of FY20 KPIs and targets to all eligible employees.

CBA has confirmed and provided evidence that:

- the PRC has assessed the performance of the CEO and each GE to determine remuneration outcomes for FY19;

- the PRC has been provided with enhanced quantitative data and reporting, including scorecards reflecting individual and collective accountabilities, to support the determination of FY19 remuneration outcomes;

- the BRCC, BAC and PRC met together in February and June 2019 to discuss and challenge the risk assessment and remuneration outcomes for the CEO and each GE;

- FY20 Scorecards for the CEO and each GE have been developed and approved setting out KPIs, weights and targets that reflect individual and collective accountabilities, including for risk; and

- FY20 Group KPI Guidance has been approved and communicated, with FY20 KPIs and targets cascaded to all eligible employees.

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 (including the CEO) on matters which included CBA's approach to individual and collective accountability.

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 strengthened governance processes for FY19 and has cascaded FY20 KPIs across the Group that adequately reflect individual and collective accountabilities.

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

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

- the maturity of the approach to assessing collective accountability (including collective accountability for risks); and

- the effectiveness of mechanisms to ensure the appropriate correlation between collective accountabilities and remuneration outcomes.

9.2.3. Assessment of Recommendation 25c Milestones

The Target State for Recommendation 25c is that there is appropriate internal and external transparency, and communication, about the remuneration impact of positive and negative risk outcomes, which reinforces CBA's culture expectations and accountabilities.

Milestone 25c.3

Milestone 25c.3 (an Embed Milestone) requires that the risk and remuneration outcomes for FY19 are shared, following appropriate aggregation and anonymisation, with the communication approach incorporating any feedback on the FY18 approach.

CBA has confirmed and provided evidence that:

- aggregated positive and poor FY19 risk outcomes and impacts on remuneration have been communicated to all staff via One.CBA;

- Senior Leaders have also communicated risk assessment outcomes, both positive and poor, to their BUs to supplement Group-wide communication;

- feedback on communications in both FY18 and FY19 has been used to identify and implement enhancements to the communications approach; and

- external transparency has been provided by the inclusion in the Annual Report of a summary of risk and remuneration consequences for FY19.

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

- appropriately balancing messaging about the impact of both good and poor risk outcomes to CBA staff; and

- providing sufficient transparency and analysis of both good and poor risk behaviours and the associated remuneration impacts.

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 accountabilities and infrastructure, metrics, controls and reporting.

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

- the approach to communicating case studies and worked examples;

- the approach to incorporating feedback, including feedback on external communication;

- transparency of the link between accountability and consequence;

- targeted communication from Senior Leaders;

- plans to monitor consistency and effectiveness;

- the use of the Annual Report to provide external transparency; and

- aspects of the design of the Sustainability Plan including processes to monitor the maintenance of the Target State and corrective actions in the event of non-compliance.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that risk and remuneration outcomes for FY19 were appropriately communicated, reflecting positive and poor outcomes and incorporating feedback from FY18.

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:

- the documentation of controls associated with remuneration processes in RiskInSite;

- whether additional feedback on communication is required; and

- whether an updated Sustainability Plan has been developed that includes:

- o consideration of external communications; and

- o a regular review process that adequately assesses communication activity.

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 Milestones

10.1.1.   Status of Program Execution Theme Milestones

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

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

As noted in section 2.1, the Program added one new Milestone (Milestones 35.2b) to this Theme during the Reporting Period.

The Milestone was added to reflect developments in CBA's approach to sustainability.

The new Milestone provides for the development of a Sustainability Plan for Groupings of Recommendations, as described in section 10.2.3.

Revisions to Milestone 35.3 which deals with closure of all Embed Milestones, are expected to be made in a coming Reporting Period to reflect the closure of all Embed Milestones and associated operationalisation of those Recommendation Sustainability Plans.

During the Reporting Period:

- The Program submitted Closure Packs for three Program Execution Theme Milestones (Milestones 35.1a, 35.1b and 35.2a) to Promontory. The Closure Packs were submitted before the relevant due dates set out in the RAP.

- Promontory assessed three Program Execution Theme Milestone (Milestone 20.2, 32.2 and 35.1a) as complete and effective. The Closure Packs for these Milestones were submitted in the Sixth and Seventh Reporting Periods.

- The Program was working on two Implement Milestones and six Embed Milestones for this Theme. Work had yet to start on one other Implement Milestone and two other Embed Milestones.

At the Reporting Date, Promontory was yet to start its review of two Program Execution Theme Milestones (Milestones 35.1b and 35.2a), the Closure Packs for which were submitted in late March.

Taking into account Milestones assessed as complete and effective in previous reporting periods, as at the Reporting Date, 14 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	Sep-20	◔
20	Investment prioritisation	20.1 Design	Revise the IPP (now 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	Dec-20	◔

#	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 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	Performance reviews of BEAR Accountable Executives reflect KPI allocations	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 (**BROP**) resource forecasting process defined	Mar-19	●
		33a.3 Embed	Regularly review BU/SU BROP resource forecasting	Dec-20	◔
33b	Organisation capacity	33b.1 Design	Design 'capacity' prioritisation processes and guidelines to assist with program decisioning	Nov-18	●
		33b.2 Implement	Stop or defer existing Programs as directed by ELT and reallocate funding to delivery of Recommendations	Dec-18	●
		33b.3 Embed	Regularly consider in line with the CIP process the need to stop Programs in flight	Jun-20	◔

#	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 including formalising Stage Gate review, Health Checks, required skillsets and Risk in Change process	Jul-20	◔
		34.3 Embed	Regularly consolidate a Program status view of all CIP endorsed Programs	Nov-20	○
35	Embedding project framework	35.1a Design	Deliver Sustainability Plan template, Recommendation closure approach and Recommendation Groupings	Mar-20	●
		35.1b Design	All Design Milestones are assessed as effective	Mar-20	◑
		35.2a[27] Implement	Develop Recommendation Grouping Sustainability Plans and define Implementation Plans	Mar-20[28]	◑
		35.2b Implement	Implement Milestones are assessed as effective	Dec-20	○
		35.3 Embed	The appropriate areas have demonstrated effective deployment of the design standards	Mar-21	○

10.1.2.   Status of Program Execution Theme Recommendations

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

Progress in 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.

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[27] Milestone 35.2 was renamed to Milestone 35.2a due to the addition of Milestone 35.2b.

[28] The due date for Milestone 35.2a (previously Milestone 35.2) was moved from September 2020 to March 2020 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	Dec-20	
20	Investment prioritisation	The Group's CIP provides a more balanced view of risk considerations which will promote greater consideration of emerging risks, resilience issues, and risk outcomes	Mar-21	
31	Skin in the game	GEs allocate Delivery Leads with the appropriate skills and experience to lead CIP endorsed Programs	Feb-21	
32	Consequences	Remuneration outcomes for leaders of CIP Programs will be aligned and adequately reflect formal assessment of successful Program delivery	Feb-21	
33a	Organisation capacity	The Group ensures sufficient resources are made available to ensure the prioritisation of the APRA Recommendations through to successful delivery	Mar-21	
33b	Organisation capacity	The Group ensures sufficient resources are made available to ensure the prioritisation of the APRA Recommendations through to successful delivery	Sep-20	
34	Project disciplines and review	Consistent application of the updated GDF with identification of non-adherence readily identifiable and appropriate consequence management applied	Feb-21	
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 20 Milestone

The Target State for Recommendation 20 is that:

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

- regular reporting of CIP outcomes to the ELT delivering transparent application of the process.

Milestone 20.2

Milestone 20.2 (an Implement Milestone) requires a quarterly dashboard to be developed for the ELT NFRC that includes:

- detail on the risk and regulatory proposals funded and not funded; and

- tracking of CIP spend on High-rated issues, identified emerging issues, and issues considered for investment allocation that are not High-rated.

CBA has confirmed and provided evidence that:

- a quarterly ELT NFRC dashboard that includes the detail required by the Milestone has been developed; and

- the first dashboard was presented to and discussed and endorsed at the ELT meeting on 25 October 2019.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 20.1 in relation to the mapping of the five capital allocation categories to the objectives set out in CIP process documents.

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

- key definitions and mapping of project categories from related documents;

- the level of detail included in the dashboard;

- how emerging risks and Medium-rated issues are identified for inclusion in the dashboard;

- how the dashboard will be maintained, including how changes will be monitored and reported; and

- the level of discussion on the dashboard and challenge by the ELT NFRC members and the outcomes of those discussions.

Based on our assessment of the Milestone Closure Pack, and the additional information we received, we concluded that CBA has developed a quarterly dashboard that includes the information set out in the Milestone, and that the dashboard has been presented to the ELT and ELT NFRC for discussion and endorsement.

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:

- alignment between the reporting of emerging risks at the ELT NFRC and the reporting of emerging risks in the dashboard;

- the guidance provided to BU/SUs to ensure consistent identification of emerging and Medium-rated issues for inclusion in the dashboard; and

- the level of transparency and extent of discussion at the ELT NFRC on the impact on risk profiles associated with decisions to fund or not fund certain projects.

10.2.2.   Assessment of Recommendation 32 Milestone

The Target State for Recommendation 32 is for all projects endorsed through the CIP to have a BEAR Accountable Executive, CBA Sponsor and Delivery Lead, and for remuneration outcomes for these roles to be aligned with formal assessment of successful project delivery.

Milestone 32.2

Milestone 32.2 (an Implement Milestone) requires KPIs for BEAR Accountable Executives, Sponsors and Delivery Leads of CIP-endorsed programs to be updated to reflect delivery requirements, in line with the GDF.

CBA has confirmed and provided evidence that:

- FY20 Scorecards for the BEAR Accountable Executives, which include KPIs to reflect successful delivery of the RAP and CIP-endorsed programs, have been developed and approved;

- FY20 Group KPI Guidance that sets out mandatory minimum KPI weightings for Sponsors and Delivery Leads, and success measures in relation to delivery of the RAP and CIP-endorsed programs, has been developed, endorsed by the ELT and communicated to Key Role Holders; and

- a KPI Compliance Review has been conducted by CCOs to assess the level of compliance of FY20 KPIs against the Group KPI Guidance.

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

- aspects of the KPIs for BEAR Accountable Executives;

- the scope of the KPI Compliance Review and actions taken to ensure identified inaccuracies are being addressed; and

- whether exceptions have been granted in relation to the CIP Exceptions process.

Based on our assessment of the Milestone Closure Pack, and the additional information we received, we concluded that CBA has implemented FY20 KPIs for BEAR Accountable Executives, Sponsors and Delivery Leads of CIP-endorsed Programs to reflect delivery requirements, in line with the GDF.

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:

- enhancements made to the KPI Compliance Review process, along with accompanying guidance; and

- the impact of implementing the proposed automated reporting and project management solution described in the Closure Pack.

10.2.3.   Assessment of Recommendation 35 Milestone

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

Milestone 35.1a

Milestone 35.1a (a Design Milestone) requires the following to be delivered to facilitate effective embedment of RAP outcomes:

- a Sustainability Plan template;

- articulation of how Sustainability Plans will be prepared and leveraged;

- an approach to Recommendation Closure; and

- a set of Recommendation Groupings.

CBA has confirmed and provided evidence that:

- a Sustainability Plan template that includes the following components has been developed:

  o a list of frameworks and processes required to sustain the Target State;

  o extracts of BEAR Accountability Statements as they relate to the frameworks and processes listed; and

  o a list of governance mechanisms and controls as they relate to the frameworks and processes listed;

- an outline of how Sustainability Plans will be prepared and leveraged;

- the approach to Recommendation Closure; and

- the approach to aggregating Recommendations into one of four Groupings that align with the overarching aims of the Program.

Based on our assessment of the Milestone Closure Pack and discussions with stakeholders during preparation of the Closure Pack for this Recommendation, we concluded that CBA had delivered a Sustainability Plan template, an approach to Recommendation Closure and a set of Recommendation Groupings that will facilitate effective embedment of RAP outcomes, and that these components had been endorsed by the 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.