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

Tenth Report

29 January 2021

*Promontory Australia, a division of IBM (**Promontory** or **we**) has been engaged as the Independent Reviewer of Commonwealth Bank of Australia's (**CBA's**) Remedial Action Plan (**RAP**) to address the Recommendations of the Australian Prudential Regulation Authority's (**APRA's**) Prudential Inquiry into CBA.*

*In accordance with the terms of the Enforceable Undertaking (**EU**) agreed between APRA and CBA on 30 April 2018, Promontory's independent review role requires us to report on a quarterly basis:*

- *The status of CBA's compliance with certain requirements of the EU; and*

- *Items in the RAP that CBA considers are nearing completion.*

*This is Promontory's tenth report (**Tenth 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 October 2020 to 31 December 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
APRA	Australian Prudential Regulation Authority
BAC	Board Audit Committee
BAU	Business-as-usual
BB	Business Banking
BEAR	Banking Executive Accountability Regime
BRCC	Board Risk and Compliance Committee
BUs	Business Units
CAP	Control Assessment Program
CBA	Commonwealth Bank of Australia
CCO	Chief Controls Officer
CCO LT	CCO Leadership Team
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
DART	Data Analysis Risk Tools
EGM	Executive General Manager
Eighth Report	Promontory's eighth report dated 31 July 2020
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
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

HR	Human Resources
IB&M	Institutional Banking and Markets
Inquiry	The APRA inquiry to examine whether governance, culture and accountability practices at CBA had contributed to a series of incidents that had led to adverse publicity and regulatory scrutiny
Inquiry Recommendations	The 35 recommendations made in the *Inquiry Report*
Inquiry Report	*The Prudential Inquiry into the Commonwealth Bank of Australia (CBA) Final Report*
KPI	Key Performance Indicator
NFR	Non-Financial Risk
NFRC	Non-Financial Risk Committee
Ninth Report	Promontory's ninth report dated 30 October 2020
ODCEO	Office of the Deputy Chief Executive Officer
OR&C	Operational Risk and Compliance
Pandemic	COVID-19 Pandemic
PD	Program Delivery
PPMC	Project and Portfolio Management Centre
PRC	People and Remuneration Committee
Previous Reports	Promontory's previous reports dated 28 September 2018, 20 December 2018, 30 April 2019, 31 July 2019, 31 October 2019, 31 January 2020, 30 April 2020, 31 July 2020 and 30 October 2020
Prioritised Risk Types	Financial Crimes Compliance, Privacy and Conduct risk types
Program	Program of work to execute the RAP
Promontory	Promontory Australia, a division of IBM
RAP	Remedial Action Plan
RAS	Risk Appetite Statement
RBS	Retail Banking Services
RCSA	Risk and Controls Self-Assessment
Recommendations	The 45 recommendations that make up the RAP
Reporting Date	31 December 2020
Reporting Period	1 October 2020 to 31 December 2020
RiC	Risk in Change

RiS	RiskInSite
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
SUs	Support Units
STVR	Short-Term Variable Remuneration
Sustainability Plan	Plan to ensure that the Target State of a Recommendation will be maintained on an ongoing basis
Tenth Report	Promontory's tenth report dated 29 January 2021
Theme	A shared theme of a series of Recommendations
Third Report	Promontory's third report dated 30 April 2019

Executive Summary

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

The Tenth 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 October 2020 and 31 December 2020 (the **Reporting Period**). The status of RAP Milestones is reported as at 31 December 2020 (the **Reporting Date**).

Overall Observations

Since signing the EU, CBA has made significant progress in executing the RAP. At the Reporting Date the Program had completed work on 169 (out of a total of 177) Milestones, and 39 (out of a total of 45) Recommendations[2].

During the Reporting Period the Program continued to employ 'prioritisation' as a tool for mitigating the risk of insufficient capacity and capability to resource the execution of the RAP.

The Program also made good progress in putting in place the processes and systems required to uplift data quality. Data quality is receiving increased attention at the highest levels of the organisation.

The Program's focus is now firmly on completing the remaining work in relation to the outstanding Milestones and Recommendations. The Reporting Period also saw an increase in attention being paid by CBA to the question of how best to transition from the Program to business-as-usual (**BAU**) and the importance of maintaining delivery discipline during the transition as well as in BAU. While this attention is timely given the stage of the Program, it is critical that the Program's focus remains primarily on delivering the remaining Milestones and Recommendations at a level of quality that will ensure that all of the intended outcomes of the RAP are achieved. Over coming months the Program will need to strike the right balance between its focus on the transition to BAU and delivering the intended outcomes of the RAP.

While the Program has achieved much to date, there still remains much work to be done. Importantly, as noted in our Previous Reports, the remaining Recommendations are where the core challenges faced by the Program are most concentrated, and where CBA is, therefore, likely to find it the most difficult to achieve the outcomes envisaged in the RAP.

One example of an area where further work is required is in relation to embedding the Three Lines of Accountability (**3LoA**) principles across CBA. During the Reporting Period a number of reviews of how the 3LoA operating model is currently performing were finalised. The Program has a significant amount of complex and

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

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

challenging work to complete in order to address the findings of these reviews and realise the expected outcomes of the RAP in relation to Recommendation 9.

Program Progress

The Program remained on track at the Reporting Date, with all 177 Milestones and 45 Recommendation Closures either delivered to Promontory or on schedule to be delivered by the Due Dates set out in the RAP[3].

The Design Phase of the Program has been completed. By the Reporting Date, CBA had submitted Milestone Closure Packs to Promontory evidencing completion of work on all 57 Design Milestones[4] and, based on a review of the Closure Packs, other documents and interviews with key stakeholders, Promontory had assessed all Design Milestones as complete and effective.

The Program has completed work on all Implement Milestones. By the Reporting Date:

- CBA had submitted Milestone Closure Packs to Promontory evidencing completion of work on all 69 Implement Milestones (two 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 62 Implement Milestones as complete and effective[5] (five of which were assessed during the Reporting Period).

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

The Program has completed work on most Embed Milestones. By the Reporting Date:

- CBA had started or completed work on all 51 Embed Milestones.

- CBA had submitted Milestone Closure Packs to Promontory evidencing completion of work on 43 Embed Milestones (10 of which were received during the Reporting Period).

- Based on a review of Closure Packs, other documents and interviews with key stakeholders, Promontory had assessed 19 Embed Milestones as complete and effective (four of which were assessed during the Reporting Period).

- We had not completed our assessment of 24 Embed Milestones (eight of which were delivered at the end of the Reporting Period).

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

[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.

[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 details.

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

Program progress by Theme is set out in Table 1.

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

Theme	Work Not Started	Work in Progress	Closure Pack Submitted to Promontory		Milestones Closed	Total
			Assessment Not Started	Assessment Underway		
Board Governance	0	0	1	2	17	**20**
Management Governance	0	0	0	0	19	**19**
Operating Model (3LoA)	0	2	0	0	9	**11**
Risk Appetite, Taxonomy and Standards	0	2	0	5	13	**20**
Accountability and Controls Delivery	0	1	1	3	8	**13**
Customer Outcomes	0	1	1	2	12	**16**
Culture, Capability and Consequences	0	0	6	4	40	**50**
Program Execution	0	2	1	4	21	**28**
TOTAL	**0**	**8**	**10**	**20**	**139**	**177**

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

- CBA had started or completed work on all 45 Recommendation Closures.

- CBA had submitted to Promontory Closure Packs in relation to 39 Recommendations (18 of which were received during the Reporting Period).

- Based on a review of Closure Packs, other documents and interviews with key stakeholders, Promontory had assessed nine Recommendations as closed (four of which were assessed during the Reporting Period).

- We had not completed our assessment of Closure Packs in relation to 30 Recommendations (11 of which were delivered at the end of the Reporting Period).

Risks and Challenges

The majority of the challenges still faced by the Program are not new. While good progress has been made in understanding and mitigating the risks associated with many of the challenges noted in our Previous Reports, further action must be taken to ensure that all of the intended outcomes of the RAP are achieved.

As the Program approaches the transition to BAU, we expect the tension between quality and timeliness to grow more acute. We encourage the Program to continue to assess whether further capacity or capability is needed to realise the outcomes of the Program at a high level of quality. The Program should also consider whether the Due Dates it is aiming for are appropriate in light of potential tensions between meeting the timelines currently set out in the RAP and delivering the remaining Milestones and Recommendations at a high level of quality.

Change fatigue also re-emerged as a concern in relation to certain Recommendations during the Reporting Period. A renewed push is likely to be required to maintain momentum. CBA must remain vigilant in ensuring that the work it has yet to do is not completed with the intent of simply getting the Program 'over the line'. Such work is unlikely to be sustainable and may even undermine the progress made to date. The Program should continue coming back to the RAP narrative as a means of combating change fatigue by re-sharing key messages across all levels of the organisation in order to remind staff of what they are trying to achieve.

Finally, in order to guarantee the sustainability of the changes made by the Program, it is vital that communications regarding the practical outcomes of the Program that have been achieved across the Group permeate throughout the entire organisation. To achieve this, and win the 'hearts and minds' of the business, more must be done to amplify the tone from the middle and align it with the tone from the top.

1. Introduction

1.1. Background

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

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

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

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

As Independent Reviewer, Promontory is required to report to APRA on a quarterly basis on the status of compliance with the EU and the Milestones[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 Tenth Report. It covers the period 1 October 2020 to 31 December 2020 (the **Reporting Period**). The status of Milestones and other Program developments are reported as at 31 December 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]
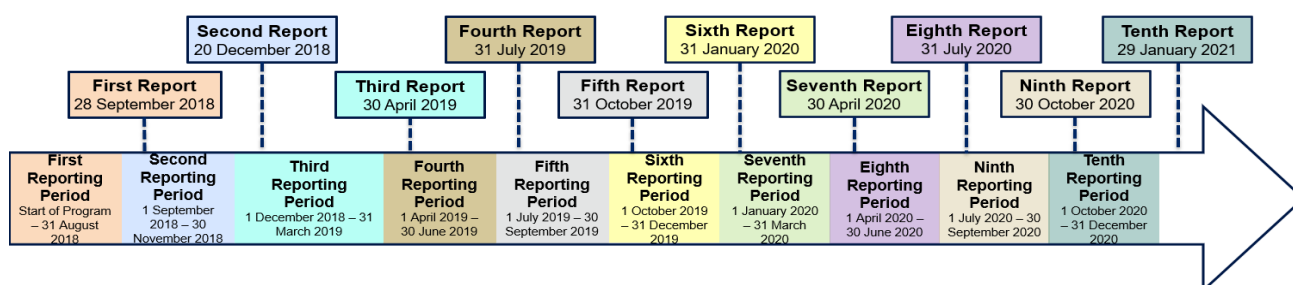
Further details about the background to our engagement are set out in Chapter 1 of the First Report.

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[6] Milestones are the actions CBA intends to take to address the Inquiry 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 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, Business Units and Support Units (**BU/SU**) Chief Controls Officers (**CCOs**) and other staff across CBA.

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

As initially designed, the RAP contemplated 154 Milestones. 24 Milestones were added and one was removed during previous Reporting Periods. No Milestones were added or removed during this Reporting Period. There are now 177 Milestones.

Changes to the Due Date, Accountable Executives and Closure Criteria, were also made to six Milestones and Recommendations during the Reporting Period. Promontory endorsed each of the changes as reasonable. Further information on these changes is set out in section 2.1.

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

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

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	9	1	19
September 2020	2	0	0	3	1	1	5	6	18
December 2020	1	0	0	0	1	1	6	3	12
March 2021	0	0	2	1	1	1	0	0	5
June 2021	0	0	0	1	0	0	0	2	3
TOTAL	**20**	**19**	**11**	**20**	**13**	**16**	**50**	**28**	**177**

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

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

Reporting Date	Number of Recommendation Closure Packs Scheduled to Be Delivered								
	Board Governance	Management Governance	Operating Model (3LoA)	Risk Appetite, Taxonomy & Standards	Accountability and Controls Delivery	Customer Outcomes	Culture, Capability & Consequences	Program Execution	Total
March 2020	1	1	0	0	0	0	1	0	3
June 2020	1	1	1	0	0	1	0	0	4
September 2020	2	2	0	1	0	1	4	4	14
December 2020	1	1	0	1	2	1	9	3	18
March 2021	0	0	0	0	0	0	0	0	0
June 2021	0	0	1	2	1	1	0	1	6
TOTAL	5	5	2	4	3	4	14	8	45

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

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

1.3. Promontory's Independent Reviewer Activities

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

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

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

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

- Three meetings of the monthly RAP Governance Forum.

- Three meetings of the monthly BU/SU Delivery Governance Forum.

- Two meetings of the monthly Planning and Dependencies Management Forum.

- 11 meetings of the RAP weekly Cross-Stream Scrum.

We also attended the following meetings with a view to understanding the progress being made in implementing and embedding the outcomes of the RAP in each BU and SU:

- Interviews with the Group Executive (**GE**) and CCO of Retail Banking Services (**RBS**), Business Banking (**BB**), Program Delivery (**PD**), Risk Management (**RM**) and Financial Services (**FS**).

- Interviews with the BU/SU Chief Risk Officers (**CROs**) of Human Resources (**HR**), RBS, BB and RM.

- The Non-Financial Risk Committee (**NFRCs**) of PD and FS BU/SUs as observers.

- The Bankwest Product Governance Forum.

We also participated in the following briefings and updates:

- A reflections session, with members of the Central RAP Team, BU/SU CCOs and CROs, Execution Leads and Executive General Managers (**EGMs**) from across the Group, to reflect on the content of our Ninth Report. This was the eighth such session in which we have participated.

- Additional sessions with members of the Board and Executive Leadership Team (**ELT**) to discuss the content of our Ninth Report.

- An interview with the Chief Executive Officer (**CEO**) to discuss CBA's progress in implementing the RAP in relation to several specific Recommendations.

- Two reflections sessions in which several of the challenges to successfully executing the RAP were discussed.

- Two Embed testing briefing sessions with relevant Theme Leads and Subject Matter Experts (**SMEs**) in which we described our Embed testing approach in relation to specific Milestones.

- Embed testing sessions in relation to the Group Delivery Framework (**GDF**), Risk in Change (**RiC**), complaints analysis and reporting, and the ELT NRFC.

- Embed testing interviews with the Group CCO, EGM Compliance and EGM Operational Risk, and the CCOs of Enterprise Services (**ES**), BB, RBS and Institutional Banking and Markets (**IB&M**).

- Walkthroughs of the Data Analysis Risk Tools (**DART**), Project and Portfolio Management Centre (**PPMC**) and FirstPoint systems.

- The Board Risk and Compliance Committee (**BRCC**), the ELT NFRC, the Complaints Governance Forum, the Emerging Risks Forum and the Risk Training Council as observers.

- A discussion with the Central RAP Team on Data Quality.

- A walkthrough of the results of the triennial review of CBA's Risk Management Framework as required under CPS 220.

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

- Additional sessions with GA&A to discuss in-progress audits on the 3LoA operating model and Line 2 Assurance.

- One meeting with the RAP CRO to discuss the observations of the Program's Line 2 function.

- Three meetings with the Group CCO to discuss the implementation of the RAP in the BU/SUs and the role played by the BU/SU CCOs.

- Briefings on the Drop Process and Program-related communications.

As noted in Previous Reports, our participation in these meetings has generally remained remote, as a result of the changes in work practices necessitated by the COVID-19 Pandemic (the **Pandemic**).

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

During the Reporting Period we continued to assess whether Milestones had been completed in line with the Closure Criteria and whether activity to close each Milestone provided a sound basis for achieving the Target State for the overall Recommendation. 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 our challenge, the Program made changes to its approach.

In six of the nine Milestones closed during the Reporting Period we assessed the Milestone as complete and effective, on the understanding that aspects of the assessment would be reviewed at the Embed or Recommendation Closure Phases.

Throughout the Program we have taken an average of around 13 weeks to assess a Milestone as complete and effective after a Closure Pack is delivered. The quickest assessments took just over one week (for Milestones 14.2 and 35.1a). The longest assessment (which was delayed due to the need to consider evidence that became available around the time that the final Embed Milestone for that Recommendation was delivered) took just under 54 weeks (for Milestone 12a.6).

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

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

Table 1.3: Reporting Scale

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

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

1.4. Report Structure

The remainder of this Report is structured as follows:

- **Chapter 2** summarises Program progress as at the Reporting Date, key developments in the Program during the Reporting Period, our observations on how the Program is being managed (both centrally and at the BU/SU level), and the areas on which the Program should focus moving forward.

- **Chapters 3 to 10** report Milestone and Recommendation progress for each Program Theme and describe the outcomes of the Milestone and Recommendation assessments we completed during the Reporting Period.

2. Program Developments

The Program has now completed work on the majority of Recommendations. It is important to note, however, that those Recommendations which remain are among the most complex and challenging to address.

Given the significant progress to date in executing the RAP, the Program's focus continued, during the Reporting Period, to turn increasingly towards the transition to BAU. The Program began to contemplate how it might establish a transition period during which the sustainability of RAP outcomes will be monitored and further improvements made, as needed, to the processes and frameworks that have been put in place. Further work remains on mapping out the transition to BAU, including the maintenance of delivery discipline during the transition and beyond, to ensure that the outcomes of the Program can be sustained.

During the Reporting Period the Program also took action to address the risks and challenges highlighted in our Ninth Report. The Program has now developed the processes and systems required to uplift data quality, although a significant amount of work is still needed before a thorough and sustained improvement in data quality is realised. The Program also continued to employ 'prioritisation'[9] as a tool for mitigating the risk of insufficient capacity and capability to resource the execution of the RAP.

While significant progress in executing the RAP has been made, some of the most important outcomes of the Program have not yet been achieved. Realising these outcomes must be the primary focus of the Program over the coming Reporting Period.

The outstanding Recommendations are where the core challenges faced by the Program are most concentrated, and where CBA is, therefore, likely to find it the most difficult to achieve the intended outcomes of the RAP. For example, during the Reporting Period, a number of reviews of how the 3LoA operating model is currently performing were finalised. The Program has a significant amount of complex and challenging work to complete in order to address the findings of these reviews and realise the intended outcomes of the RAP in relation to Recommendation 9.

In balancing its focus on the transition to BAU with the need to ensure that all of the intended outcomes of the RAP are achieved, CBA must continue to actively manage the risks and challenges still faced by the Program. As the transition to BAU draws closer, change fatigue has once again emerged as a significant concern, and a renewed push is likely to be required to maintain sufficient momentum to achieve all of the intended outcomes of the RAP. More must be done to magnify the tone from the middle and win the 'hearts and minds' of the business. Finally, as the Program transitions to BAU it must remain vigilant in ensuring that timeliness is not prioritised over quality.

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

- key Program developments during the Reporting Period;

- ongoing challenges and risks the Program faces; and

- areas for Program focus.

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[9] The concept of 'prioritisation' is defined and discussed further in section 2.2.4.

2.1. Program Progress

As at the Reporting Date all 177 Milestones that make up the RAP were on-track to be completed by the Due Dates set out in the RAP.

During the Reporting Period the Program submitted Closure Packs for 12 Milestones:

- The Closure Packs for two Embed Milestones were submitted in November 2020.

- The Closure Packs for 10 Milestones (two Implement Milestones and eight Embed Milestones) were submitted in December 2020.

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

At the Reporting Date the Program was working on the eight remaining Embed Milestones.

During the Reporting Period Promontory assessed nine Milestones (five Implement Milestones and four Embed Milestones) as complete and effective. The Closure Packs for these Milestones were submitted in the Seventh, Eighth and Ninth Reporting Periods.

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

- four were Program Execution Theme Milestones (Milestones 20.3, 33a.3, 33b.3 and 34.2)[10];

- two were Customer Outcomes Theme Milestones (Milestones 21.2 and 21.3)[11];

- one was an Operating Model (3LoA) Theme Milestone (Milestone 9.4)[12];

- one was a Risk Appetite, Taxonomy and Standards Theme Milestone (Milestone 12d.2b)[13]; and

- one was a Culture, Capability and Consequences Theme Milestone (Milestone 13.2)[14].

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, 138 Milestones (57 Design Milestones, 62 Implement Milestones and 19 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).

As at the Reporting Date all Milestones under the Management Governance Theme had been assessed as complete and effective.

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[10] See discussion in section 10.2 below.

[11] See discussion in section 8.2 below.

[12] See discussion in section 5.2 below.

[13] See discussion in section 6.2 below.

[14] See discussion in section 9.2 below.

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

In some Milestones, certain approaches to implementation and sustainability measures were, however, not fully mature at the time of assessment. We have, therefore, foreshadowed in relation to a total of 97 Milestones (six of which were closed during the Reporting Period) our intention to focus on particular design features, approaches to implementation or sustainability mechanisms when assessing related Milestones or Recommendation Closures.

At the Reporting Date Promontory was assessing 20 Milestones (four Implement Milestones and 16 Embed Milestones). We had not yet begun assessing the 10 Milestones (two Implement Milestones and eight Embed Milestones) delivered to us in December 2020.

The information above is summarised in Figure 2.1.

Figure 2.1: Milestone Status
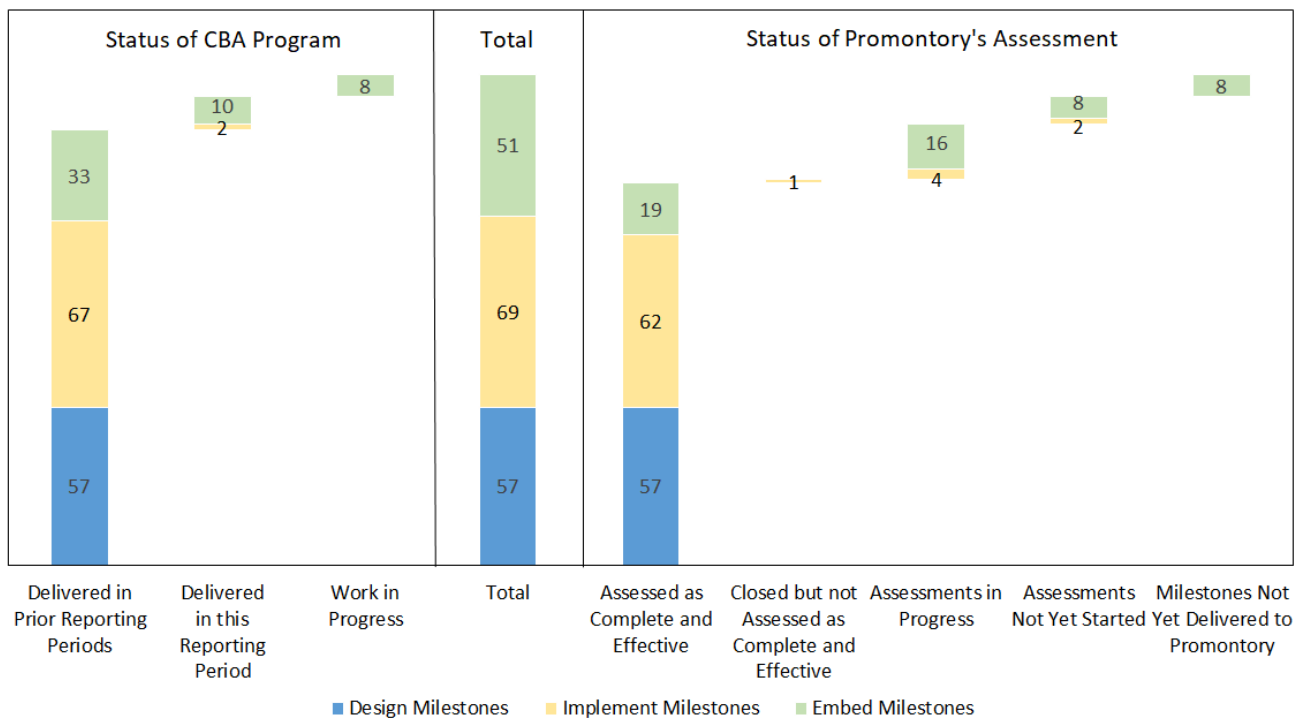
As discussed in section 1.2, while the *Inquiry Report* made 35 recommendations, the RAP splits some of these into multiple parts, resulting in 45 Recommendations in total. The status of the 45 Recommendations that make up the RAP is discussed below.

As at the Reporting Date all 45 Recommendations that make up the RAP were on-track to be completed by the Due Dates set out in the RAP.

During the Reporting Period the Program submitted Closure Packs for 18 Recommendations:

- The Closure Packs for seven Recommendations were submitted in November 2020.

- The Closure Packs for 11 Recommendations were submitted in December 2020.

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

At the Reporting Date:

- The Program had completed work on 39 Recommendations.

- The Program was working on six other Recommendation Closure Packs.

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

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

- two were Management Governance Theme Recommendations (Recommendations 8 and 19)[15];

- one was an Operating Model (3LoA) Theme Recommendation (Recommendation 10)[16]; and

- one was a Program Execution Theme Recommendation (Recommendation 33a)[17].

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

During the Reporting Period we endorsed six requests to change aspects of the RAP[18]. The requests related to the addition of an Execution Lead, or changes to the Due Date or the Closure Criteria[19]. These requests resulted in changes to the Due Dates of three Milestones[20] and two Recommendations[21].

2.2. Key Program Developments

During the Reporting Period CBA:

- Gave greater consideration to the transition to BAU and the work to be completed to ensure that the outcomes of the Program are sustained through both ongoing continuous improvements and the further changes that may need to be made to the processes and frameworks that have been put in place.

- Finalised a number of reviews of how the 3LoA operating model is currently performing, and began work to address the findings of these reviews.

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[15] See discussion in section 4.2 below.

[16] See discussion in section 5.3 below.

[17] See discussion in section 10.3 below.

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

[19] The Changes Requests we received were made in relation to Milestones 9.5, 9.5a, 15.5 and 22.3b, and Recommendations 9 and 12b.

[20] Milestones 9.5, 9.5a and 15.5.

[21] Recommendations 9 and 12b.

- Made significant progress on developing the processes and systems to uplift data quality, although a significant amount of work must still be completed before a thorough and sustained improvement in data quality is realised.

- Continued to employ 'prioritisation' as a tool for mitigating the risk of insufficient capacity and capability to resource the execution of the RAP, and confirmed that this approach will not result in any requirements of the RAP remaining unmet when the Program transitions to BAU.

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

During the Reporting Period the Board and ELT continued to actively oversee and engage with the Program.

The Board received two updates in relation to the Program during the Reporting Period. These updates included information in relation to Program progress and status, reflections on our Ninth Report, the Program's approach to ensuring sustainability and continuous improvement of RAP outcomes, and progress in embedding and sustaining the Culture, Capability and Consequences Theme.

As noted in section 2.1, during the Reporting Period we endorsed requests from CBA to delay the Due Dates and Recommendation Closure Date for Milestones 9.5 and 9.5a, as well as Recommendation 9. These requests were made to allow time for the final 3LoA Audit Report and management response to be tabled at the Board Audit Committee (**BAC**). While these changes will delay the submission of three Closure Packs associated with Recommendation 9, they are a good example of the Program prioritising quality over timeliness, and recognising the need for the Board to provide oversight over critical elements of the Program.

The ELT received four formal updates in relation to the Program during the Reporting Period. These updates included information in relation to Program progress and status, progress in embedding 3LoA principles, actions required in response to the challenges highlighted in our Ninth Report and upcoming Drop content.

We continued to observe a strong commitment among Executive Leaders to achieving the intended outcomes of the RAP. In part, this was expressed through the progress made against the list of actions developed in response to the challenges highlighted in our Ninth Report, including:

- Executive Leaders increasing oversight and taking responsibility for ensuring they have sufficient capacity in their BU/SU and CCO office to deliver the 3LoA requirements set out in Recommendation 9;

- the involvement of the GE ES in finalising and implementing the go-to-green plan for RiC in ES;

- the development of a RiC Improvements Roadmap to simplify the application of the RiC Standard; and

- the development of an approach to data quality designed to improve the level of data quality within RiskinSite (**RiS**).

Executive Leaders also continued to endorse monthly updates on progress in delivering the RAP. During the Reporting Period the Program's status was 'Amber'. The key focus areas and actions required to return to 'Green' are progress towards the sustainable embedment of the 3LoA operating model and improvement in the quality of data within RiS. As noted above, Executive Leaders are playing a key role in addressing these

challenges and ensuring that the intended outcomes of the RAP are sustained after the conclusion of the Program.

During the Reporting Period members of the ELT continued to issue communications across the Group that reinforced the importance of the Program and set the tone from the top. Communications focused on the importance of sustaining RAP outcomes and the need to continue to focus on managing Non-Financial Risk (**NFR**). We also observed Executive Leaders reinforcing the importance of the Line 1 ownership of risk and the need to uplift data quality within RiS.

As the Program continues to focus on embedding and closing Recommendations it is likely that the focus of Executive Leaders will also gradually transition from the change management role currently being performed to a BAU management role. Over the coming Reporting Period the Program will need to give considerable thought to how the roles of Executive Leaders might evolve during the transition period.

2.2.2. Program Governance

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

As in previous Reporting Periods discussion at the BU/SU Delivery Governance Forum continued to focus on elevated risks and emerging challenges. For example, during the Reporting Period we observed detailed discussion of 3LoA as a focus area at the BU/SU Delivery Governance Forum, illustrating that Program governance forums continue to prioritise outcomes over processes.

During the Reporting Period we also observed CCOs continuing to share their BU/SU's experiences in implementing the RAP during meetings of the BU/SU Delivery Governance Forum. Importantly, CCOs also discussed how these experiences could be leveraged to address areas of inconsistent progress[22]. The BU/SU Delivery Governance Forum should continue to discuss BU/SU-specific insights, and act upon them to address areas of inconsistent progress.

We observed several meetings of the Cross-Stream Scrum during the Reporting Period. The Cross-Stream Scrum continued to operate largely as it has in previous Reporting Periods and remains an effective forum for raising potential challenges in a timely way.

Other governance forums associated with the Program also continued to operate as they have in previous Reporting Periods. All Program forums continued to exhibit a level of maturity that will allow them to operate effectively through to the transition to BAU.

During the Reporting Period CBA also began to consider whether and how Program governance forums should continue to operate as the Program transitions to BAU. CBA will need to continue to consider which of these forums should be retained during the transition period and which are no longer necessary. We also expect the CCO Leadership Team (**CCO LT**) to play an increasingly significant role as staff from outside the Central RAP Team continue to take charge of key Program outcomes as part of BAU.

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[22] The consistency of RAP outcomes is discussed further in section 2.2.3.

2.2.3. Program Delivery

During the Reporting Period we observed that:

- the Program continued to make progress on quality, consistency and sustainability and, in particular, on the role of the Group CCO in ensuring that the Target States are sustained after the Program transitions to BAU;

- work continued on ensuring that BU/SUs have sufficient capacity and capability, in both the business and CCO offices, to embed the 3LoA model and the end-to-end management of risk; and

- CBA continued to adapt and enhance the Drop mechanism.

Quality, Consistency and Sustainability

During the Reporting Period the Program continued to make progress on the three related areas of ensuring that RAP outcomes are delivered to a high level of quality, that there is an appropriate degree of consistency in its implementation and that it is delivered on a sustainable basis.

In relation to the quality of RAP outcomes we note that the Due Dates for several Milestones and Recommendations have been pushed back to ensure that quality is being prioritised over timeliness. The Change Requests submitted for Recommendations 9 and 12b were good examples of this during the Reporting Period.

Nonetheless, in some cases we continued to receive Milestones and Recommendations where work to achieve the Target State was continuing, with Recommendation 11 a notable example during the Reporting Period. In other cases the Recommendation Closure Pack was submitted together with the final Embed Milestone while work was still ongoing. As a result, it will likely take an extended period of time to assess whether the work done in relation to these Recommendations has been completed to an appropriate level of quality.

In relation to the consistency of RAP outcomes we note that CBA continued to promote consistency across BU/SUs and Program Themes during the Reporting Period. As noted above, CCOs continued to share learnings and discuss areas where a Group-wide approach may be appropriate at the BU/SU Delivery Governance Forum. We also note the effort made during this and previous Reporting Periods to ensure that the Program outcomes realised in Colonial Mutual Life Assurance (**CMLA**) and Aussie Home Loans are consistent with the intent of the RAP.

During the Reporting Period CBA conducted several consistency reviews in relation to specific Recommendations. For example, a consistency review was undertaken across BU/SU Privacy Risk Profiles to ensure that RCSA activities had been completed in line with the relevant guidance. Additionally, CBA conducted a consistency review over BU/SU reporting on emerging risks. These reviews identified several areas where BU/SUs were not consistent, and resulted in actions to address the inconsistencies. These reviews will continue to be conducted as the Program transitions to BAU.

The Program also continued to consider whether there are particular areas of the RAP where flexibility, rather than centralisation and consistency, might produce better outcomes. During the Reporting period, CBA identified Program changes in relation to RiC and the CAP as examples of the latter, while Improving RCSA was identified as requiring a greater degree of flexibility to produce the desired outcomes. The Program should continue to consider the level of consistency required to achieve the intended outcomes of the RAP on a case-by-case basis.

In relation to the sustainability of RAP outcomes we note that progress was made during the Reporting Period on the role of the Group CCO in ensuring that the Target States are sustained after the end of the Program. In particular, the risk-based approach the Group CCO will take to monitoring sustainability during the Reporting Period was further clarified. It was decided that, while there will be some level of monitoring over all Recommendations, a higher level of monitoring will be conducted where further validation is required to confirm that the Target State has been achieved on a sustainable basis, such as for 3LoA and RiC. The Group CCO will also report on this monitoring to the ELT and Board through the Group CCO Report.

The Group CCO will commence preliminary monitoring of sustainability in early 2021, before implementing a finalised approach in mid 2021. Line 2 and Line 3 may also become involved in assessing whether the Target State continues to be achieved for certain Recommendations as the sustainability monitoring approach is refined during the preliminary period. In finalising the approach, the Group CCO should ensure that any assessment of whether the Target State has been sustained is focused on outcomes rather than processes.

During the Reporting Period CBA increased its focus on the work to be completed during the transition to BAU. CBA will need to ensure that the outcomes of the Program are sustained through both ongoing continuous improvements and the further changes that may need to be made to the processes and frameworks that have been put in place. Maintaining delivery discipline during and after the transition will be critical to ensuring sustainability.

3LoA

During the Reporting Period CBA finalised a number of reviews of how the 3LoA operating model is currently performing.

CBA completed a review of the ES CCO operating model during Reporting Period. The review found a concerted effort over the next year will be needed in ES to ensure adherence to the 3LoA principles. In order to support this effort additional resources will need to be made available.

The 3LoA audit conducted by Line 3 was also finalised late in the Reporting Period. The audit identified several areas requiring additional work, including in relation to transitioning the remaining OR&C activities within ES, the need to continue to enhance the maturity of the Risk Steward role, and addressing a lack of consistency across BU/SUs. The findings of the audit, and the actions being taken as a result, are discussed further in section 2.2.5.

As noted above, an update on CBA's progress in embedding the 3LoA model was provided to the ELT in October. As part of this update, the ELT discussed the need to prioritise delivery of the 3LoA model, and to ensure that BU/SUs have sufficient capacity and capability to embed the model. The ELT was again updated on CBA's progress in relation to the 3LoA model in December. This update focused on progress in realigning relevant activities to Line 1, which is now largely complete, and the adequacy of OR&C capacity and capability.

As a result of these reviews, additional work is being done to ensure that BU/SUs have sufficient capacity and capability in the business and CCO office to embed the 3LoA operating model. Further work is also underway on the end-to-end management of risk and the role of the Risk Stewards. We will pay close attention to how this work progresses over the next Reporting Period.

Responsibility for the CCO offices in the SUs was also rationalised during the Reporting Period. Responsibility for certain SUs was reallocated and there was a change in personnel, although the overall number of SU CCOs remains the same.

Drop 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 9 activities. The focus of Drop 9 was described as 'Enabling Better Management of Product Obligations and Privacy'. Drop 9 activities included Improving the Risk and Controls Self-Assessment (**RCSA**) for Privacy, the roll out of a number of policies, standards and procedures, and the annual Operational Risk and Compliance (**OR&C**) capability assessment.

- Drop 10 was implemented. The focus of Drop 10 was described as 'Enhancing Our Risk and Control Environment'. Activities under Drop 10 included further Improving RCSA for Conduct activities, and the roll out of the Control Assessment Program (**CAP**) Standard and Procedure.

Preparation was also underway for Drop 11, described as 'Protecting What Matters', to be launched in the next Reporting Period. Given that Drop 10 contained the final RAP-related items being delivered via the Drop mechanism, no RAP-related items are included in Drop 11.

While initial planning for Drop 12 took place during the Reporting Period, this planning was put on hold so that the content of this and other future Drops could be informed by further thought on the body of work that is needed to ensure that improvements made to date are fully embedded across CBA. CBA will therefore further consider the content of Drops 12, 13 and 14 in early 2021.

The Drop mechanism continued to be enhanced during the Reporting Period. Examples of innovations made include:

- The showcase for Drop 10 was held in November, later than in previous Drops, to ensure that BU/SUs were in a position to absorb new content. Videos from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry were also played during this session to remind participants of the importance of RAP-related Drop activities.

- The focus of discussions at the CCO Working Session shifted towards more detailed discussions on the implementation of specific Drop items between BU/SU PMOs, and away from a more general focus on the approach that should be taken in relation to new streams of work. This shift is understandable and appropriate given the stage of the Program, and provides another forum for BU/SUs to share their approaches to implementing RAP-related activities in their BU/SUs. CCO attendance at these sessions is now also optional although, where a decision is required, the outcomes of the CCO Working Session are approved at the CCO LT.

- A video of a number of leaders each talking through one element in Drop 11 was developed during the Reporting Period.

- A new Drop intranet site, which includes an overview of Drop content, Drop resources and fortnightly updates, was developed and launched. The intranet site also includes a checklist and contact details that those working on risk initiatives can use to determine whether that risk initiative should be delivered using the Drop mechanism.

- The evidence collection process has moved away from a quarterly cadence towards a more frequent examination of artefacts, and a formalised evidence list has been introduced to act as a single source of truth.

In the Ninth Report we noted that there was scope for the Drop Process to be applied to delivering changes beyond the Program and the Critical Risk Priorities. During the Reporting Period, the Program worked with CCOs and the Group CCO to understand and record Drop-adjacent activities (i.e., those activities that are not in the Drop), in order to get a more complete view of the RAP-related work being done outside each Drop. The Program also worked with the GDF team on the best way for GDF initiatives to assess whether they should be delivered via the Drop mechanism.

As noted in Previous Reports the Drop Process has been a highly effective mechanism for delivering change into the BU/SUs. Drops are now inculcated into the organisational DNA of CBA as a vital part of Group NFR change programs. This is evident in the level of support within the business for packaging up and managing change via the Drop Process, which is in part due to the early visibility of upcoming change provided to BU/SUs.

The Drop Process has also helped manage the ongoing risk of change fatigue. During the Reporting Period the implementation timelines for some Drop activities were pushed out to February to allow staff to take a break. Further work is also being conducted, as described above, to map out Drop-adjacent activities in order to manage and smooth the resourcing demands being placed on BU/SUs.

2.2.4. Program Management

During the Reporting Period:

- the Central RAP Team continued to carefully monitor the status of the Program and took steps to ensure that the Program was being implemented consistently across the Group;

- communication about the Program was delivered at a high level of quality, with continued focus on winning the 'hearts and minds' of staff and reinforcing the refreshed values;

- the Program continued prioritising certain processes, such as the RiC Standard within ES, to help mitigate resourcing risks; and

- there was an increased focus on data quality and how poor quality data might affect the Program's ability to execute the RAP to the required standard.

Central RAP Team

Given that the Program is now progressing through the Embed and Recommendation Closure Phases, we undertook additional detailed testing activities during the Reporting Period. The Central RAP Team facilitated our testing of Program outcomes, both onsite and remotely. Detailed testing was performed on Milestones and Recommendations where we required further evidence to assess the effectiveness, consistency and sustainability of uplifts implemented under the Program. Observations from the detailed testing, which included system walkthroughs and interviews with Execution Leads and CBA stakeholders, helped inform our assessments during the Reporting Period and will likely continue to be required to close certain Milestones and Recommendations over the remainder of the Program.

The Program had an 'Amber' status during the Reporting Period. The 'Amber' status was primarily due to the delivery status across the Program Execution, Accountability and Controls Delivery, and Operating Model (3LoA) Themes. Some of the actions required for the Program to return to 'Green' are an improvement in the quality of data within RiS and the sustainable embedment of several BU/SUs' 3LoA operating models following

the health-checks finalised by the Program in September. As at the Reporting Date the status of the Program remained 'Amber'.

The Central RAP Team continued to play an important role in monitoring the progress of BU/SU 'go-to-green' plans during the Reporting Period.

Communications

As the Program continued to progress through Embed Milestones and Recommendation Closures a key theme of both internal and external communications was 'a lot done, a lot still to do'. This theme reinforced the progress made by the Program to date but also highlighted the challenges that lie ahead in achieving the intended outcomes for the remaining Milestones and Recommendations. An example of this messaging was the announcement made to the Australian Stock Exchange following APRA's review of progress against the RAP. While the announcement acknowledged the progress CBA has made to date, it also referred to the substantial amount of work still required to embed Program outcomes across CBA. Communications from Executive Leaders regarding the announcement employed a similar tone.

Executive Leaders continued to directly communicate with staff regarding the importance of the Program during the Reporting Period. We observed communications from several Executive Leaders underscoring the importance of managing NFR and sustaining the outcomes of the RAP.

Following the launch of CBA's refreshed values of Care, Courage and Commitment in the last Reporting Period, Executive Leaders' communications continued to reinforce the refreshed values through a consistent tone from the top. Executive Leaders shared their personal stories of how the refreshed values are demonstrated in the work their BU/SUs perform. There was also evidence that the values are resonating with staff through increased engagement with various internal media platforms and an 'echoing' of the refreshed values from staff at all levels of the organisation.

During the Reporting Period the Program recommenced the 'Risk Cuppa' video series which had been put on hold due to Pandemic restrictions. The 'Risk Cuppa' series communicates NFR-related stories from staff at all levels within the Group, and is an important tool for ensuring 'tone from the middle' is aligned with communications from Executive Leaders.

Following our observation of the diminished use of 'should we' in some governance forums, we observed two communications in the Reporting Period noting the importance of the 'should we' test. The first piece, issued by a GE, was from a 'town hall' presentation focused on risk. The GE observed that the 'should we' question is now embedded within the psyche of CBA and is no longer necessarily overt. In the second, another GE noted in a communication to staff the importance of the 'should we' test, and provided examples in relation to CBA's deferral of mortgage repayments during the Pandemic. We continue to view the 'should we' test as instrumental to the shift in mindset at CBA and we encourage communications to continue to reinforce its importance.

Monitoring and Addressing Resourcing Needs

We emphasised the risk of insufficient capacity and capability to resource the execution of the RAP in certain BU/SUs in both our Eighth and Ninth Reports. During the current Reporting Period CBA focused on 'prioritisation' as a tool to mitigate this risk. Through the process of prioritisation, the Program has identified the most critical activities to complete first, with de-prioritised activities being delivered once the required capacity and capability is available.

An example of prioritisation being applied was in the approach ES took to implementing RiC. Following a review by ES and the Group CRO of the process flow for RiC assessments, opportunities were identified to simplify and improve the assessment process.

From discussions with CBA we understand that prioritisation will not result in any requirements of the RAP remaining unmet at the conclusion of the Program. That is, all activities that are required by the RAP but have been de-prioritised will be completed, such as Category 3 RiC assessments.

While prioritisation is a useful tool for CBA to manage the order and speed of Program completion, sufficient capacity and capability remains a prerequisite for achieving the intended outcomes of the RAP. It is also important that, where actions have been deprioritised, CBA ensures that this is quickly and clearly cascaded to all relevant staff to ensure that the potential advantages of prioritisation are realised.

BU/SUs continued to provide resource forecasts for the delivery of each upcoming Drop. During the Reporting Period these forecasts were approved by BU/SU CROs and signed off by the relevant GE. The Central RAP Team also continued to consider the accuracy of individual BU/SU resourcing estimates.

Systems, Data, and Reporting

During the Reporting Period the Program made significant progress on developing the processes and systems to uplift data quality to the standard required to realise the outcomes envisaged by the RAP. In particular, several of the planned changes noted in the Ninth Report, such as uplifts to the RiS user interface and the development of reporting dashboards, were delivered during the Reporting Period.

The new RiS user interface was launched in November, with built-in user guidance, required field logic and a user-friendly workflow. This enhanced user interface will help support staff performing CAPs, risk and control self-assessments and issue management processes.

The Data Quality Health Dashboard was also launched in November. The Dashboard tracks certain data quality metrics against RiS data rules. The Dashboard will enable CCOs to more easily identify data quality issues within their BU/SUs and take remedial actions to address these issues as part of BAU, thereby providing a more sustainable framework for addressing data quality issues. Regular discussion of the Data Quality Health Dashboard will be required at BU/SU NFRCs from January 2021, and ELT NFRC discussion of the Dashboard will commence in February 2021.

During the Reporting Period data quality received attention at the highest levels of the organisation. The Program discussed with Executive Leaders their role in highlighting issues with data quality at the governance forums they attend and the levers available to them to drive a swift uplift in data quality. Communications from the CEO and other GEs underscored the importance of data quality and the urgency with which it needs to be addressed.

Our observations on data quality, which are based on evidence CBA provided prior to the establishment of the processes and systems described above, suggest that, notwithstanding the new processes and systems, a significant amount of work is still likely to be required to realise a thorough and sustained improvement in data quality. The work to uplift data quality is unlikely to lead to a linear reduction in data quality issues and will likely continue as the Program transitions to BAU.

Our approach to assessing data quality will be to observe whether the improvements in processes and systems discussed above have led to an improvement in data quality within CBA's 'back book' for certain Inquiry Recommendations, and to review CBA's plans to uplift and sustain data quality beyond the RAP.

2.2.5. Risk and Assurance Oversight

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

Line 2 continued to execute its responsibilities in line with the updated operational model described in our Ninth Report. In particular, Line 2 continued to employ a guidance-based model when undertaking assurance over Drop items.

As described in our Ninth Report, the Program has formalised its approach to Line 2 oversight of CMLA. Under this approach, Line 2 oversight is conducted within AIA, and insights are shared via quarterly meetings between the Office of the Deputy Chief Executive Officer (**ODCEO**) CRO and AIA. At the most recent quarterly meeting, held in January, reporting on the delivery of the RAP in CMLA and other ad-hoc matters were discussed.

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

As in previous Reporting Periods we met regularly with GA&A to discuss their observations on Program progress. These meetings have continued to be useful opportunities to discuss the details of GA&A's involvement in the Program and to share our views on Program progress.

As discussed in Previous Reports, GA&A is producing two audits that we will consider when assessing Milestone and Recommendation Closure. Significant progress on these audits was made during the Reporting Period, specifically in relation to audits of the activity taking place under Recommendations 9 and 12d.

As at the end of the Reporting Period GA&A had finalising its report on the Effectiveness of 3LoA, as required under Milestone 9.5. The overall rating of the review was 'Amber'. This rating was driven by the fact that, while a majority of activities have been effectively realigned, there are still outstanding actions required to embed the 3LoA principles for all BU/SUs. Key findings include:

- Across the Group, there is consistent adherence to 3LoA Principles. Approximately 95 per cent of relevant OR&C Activities have been transitioned from Line 2 to Line 1. For those remaining activities which have not been aligned, the relevant framework owners or the ELT have endorsed an exception.

- Approximately 15 per cent of relevant OR&C activities in ES are yet to be realigned.

- The role of the Risk Steward, as originally set out under Milestone 9.1b, is not currently being performed as intended. Namely, the responsibility that the Risk Steward validates the portfolio view of risk across their respective risk domain is not currently being completed.

- There has been limited guidance on how BU/SUs are expected to assess the sustainability of OR&C activity uplifts and realignment within each business area. Additional actions may be required to ensure consistency in forming a view on and ensuring appropriate resourcing and sustainability of OR&C activities beyond the Recommendation 9 Embed Milestones.

- It is unclear how the current 3LoA operating model should apply to BU/SUs in relation those areas that require SME rather than generalist risk knowledge.

- The current 3LoA operating model does not clearly define the requirements for Line 2 to adhere to the model (e.g., demonstrating adherence to the 'Approve and Accept' mandate).

Management responses have been set out in relation to each of the above points, and the BU/SUs and Central RAP Teams have formulated a series of actions to address the issues identified in line with the timing required under Milestone 9.5.

Planning is now underway for GA&A to review the Line 2 Assurance Program as required under Milestone 12d.3. The audit will focus on the effectiveness and breadth of the Line 2 Assurance Program. Given that the FY21 Line 2 Assurance Plan significantly reduced the number of planned assurance activities, we understand the focus of the audit will be on the quality of activity and achievability of the plan. In addition, the audit will consider how the Line 2 Assurance Program has addressed the issues identified in relation to the design and execution of the FY20 Line 2 Assurance Plan.

2.3. Ongoing Challenges and the Road Ahead

As the Program moves further into the Embed and Recommendation Closure Phases CBA has, rightly, begun to give greater consideration to the transition to BAU. Over the coming Reporting Period it is essential that the Program continues to balance this focus on the future with the need to ensure that all of the intended outcomes of the RAP are achieved.

As set out above, CBA made significant progress during the Reporting Period on how the outcomes of the Program will continue to be improved over time and the nature of the transition to BAU. This work is critically important, as some of the key challenges faced by the Program, such as improving data quality and establishing end-to-end ownership of risk, will require ongoing work.

While the Program should continue to focus on mapping out the transition to BAU in the coming Reporting Period, it must also remain cognisant that several of the most critical intended outcomes of the Program have not yet been achieved. Realising these outcomes must remain the top priority for CBA.

As noted previously, CBA is likely to find achieving the outcomes referred to above the most challenging part of the Program as the remaining Recommendations are not only the most complex and difficult, but are also the areas in which the core challenges faced by the Program are most concentrated.

The majority of the challenges still faced by the Program are not new, and steps have already been taken to better understand and begin to mitigate the risks involved with these challenges. Nonetheless, further action must be taken to ensure that all of the intended outcomes of the RAP are achieved. We describe below some of the continuing challenges associated with the outstanding Recommendations and the actions CBA will need to take to address them before the end of the Program.

Change Fatigue

The risk of change fatigue, that is the risk that, due to the complexity and speed of change being made within the Group, staff involved in the Program focus on simply getting changes 'over the line' instead of making changes in a consistent and sustainable way, once again emerged as a significant concern in relation to certain Recommendations during the Reporting Period.

The manifestation of change fatigue is understandable, given that the Reporting Period covered the end of a year that was challenged by the Pandemic and saw significant and wide-ranging changes made to the way CBA does business. The end-of-year shutdown, as discussed above, should help alleviate this sense of fatigue by allowing time for those involved in and affected by the Program to refresh themselves.

However, another form of change fatigue brought about by the proximity of the transition to BAU and broader concerns about the risk that aspects of the Program could become a 'tick-box exercise' to satisfy our assessment process, require a different response. It is vital that all those involved in executing the Program keep in mind that any changes made under the RAP must be robust enough to satisfy both our assessments and the test of time. Any deficiencies in execution due to change fatigue could not only undermine the hard-won gains of the past two and a half years, but also result in new incidents of the type that gave rise to the Prudential Inquiry in the first place.

Combatting change fatigue should therefore be front-of-mind for CBA in the new year, and a renewed push is likely to be required to maintain momentum. As in the past, the Program should continue coming back to the RAP narrative as a means of combating change fatigue by re-sharing key messages across all levels of the organisation in order to remind staff of what they are trying to achieve.

As we have noted in Previous Reports, CCOs have a key role to play in combatting change fatigue. In particular, further work is needed to ensure that the speed and complexity of change is manageable. Further, given how rapidly CBA's NFR management framework has changed over the past year, and how quickly it will continue to change, previously identified measures to combat change fatigue will need to be refreshed. CCOs should work closely with the Central RAP Team to do so.

Tone from the Middle

It is critical to the long-term sustainability of the changes made by the Program that the tone from the top permeates all levels of the organisation. To date, we have been greatly impressed by the clarity of the tone from the top in support of the objectives of the Program. Nonetheless, it remains the case that messages in relation to risk culture and risk management have not necessarily penetrated all levels of the organisation.

As we have noted in Previous Reports, for an organisation the size of CBA, many staff members will be influenced at least as much by messaging from their immediate supervisors as they are by messaging from the Board and ELT. It is therefore critical that the tone from the middle is fully aligned with the tone from the top, and that communications highlight instances of staff at all levels of the organisation echoing the tone from the top.

We therefore fully support CBA's focus on and steps towards winning the 'hearts and minds' of the business. Nonetheless, more must be done in this respect. In particular, we will be looking for further emphasis on achieving the intended outcomes of the RAP at all levels of the organisation in the next Reporting Period. A continued focus on the messages that make up the RAP narrative, as well as the practical outcomes of the Program that have been achieved across the Group, will be important inputs into crafting an authentic and engaging tone from the middle.

The Conflict Between Quality and Timeliness

The tension between quality and timeliness became more acute during the Reporting Period and, as such, the risk that the proposed speed of change results in poor quality outcomes is now one of the most significant risks faced by the Program.

While an admirable amount was achieved in 2020, especially in light of the Pandemic, CBA continues to emphasise the need to further increase the speed of change through processes such as prioritisation. In light of these circumstances, we urge the Program to pay particular attention to assessing whether further capacity or capability is needed to realise the outcomes of the Program at a high level of quality. As we have noted in

the past, it is also crucial that the Program remains cognisant of the constraints presented by capability requirements, even when capacity needs are met.

The Program should also continue to actively consider whether the Due Dates it is aiming for are appropriate, especially in light of the fact that, after a Milestone or Recommendation has been submitted, work may still be needed to ensure that the requirements of the RAP are achieved at the right level of quality. Continued consideration and proposals to alter Due Dates where appropriate will also help reinforce to all involved that the Program is prioritising quality over timeliness.

2.4. Focus Areas

Table 2.1: Areas on which CBA Should Focus

Focus Area	Actions	
Board and Executive Leadership Oversight	(i)	The Program should consider how the roles of Executive Leaders might evolve during the transition to BAU.
Effective Project Management and Governance Disciplines	(i)	The BU/SU Delivery Governance Forum should continue to discuss BU/SU-specific insights, and act upon them to address areas of inconsistent progress.
	(ii)	The Program should continue to consider which Program governance forums should be retained during the transition period and which are no longer necessary.
Consistency	(i)	The Program should continue to consider the level of consistency required to achieve the intended outcome of the RAP on a case-by-case basis.
Sustainability	(i)	The Group CCO should ensure that any assessment of whether the Target State has been sustained is focused on outcomes rather than processes.
Communications	(i)	The Program should continue to reinforce the importance of the 'should we' test.
	(ii)	The Program should ensure that staff at all levels of the organisation are given visibility in echoing the tone from the top.
	(iii)	The Program should ensure that the messages that make up the RAP narrative, as well as the practical outcomes of the Program that have already been achieved, continue to be communicated across the Group.
Resourcing	(i)	The Program should assess whether further capacity or capability is needed to realise the outcomes of the Program at a high level of quality.
	(ii)	The Program should remain cognisant of the constraints presented by capability requirements, even when capacity needs are met.
Change Fatigue	(i)	The Program should continue coming back to the RAP narrative as a means of combating change fatigue by re-sharing key messages across all levels of the organisation in order to remind staff of what they are trying to achieve.
	(ii)	The Program should work to ensure that the speed and complexity of change is manageable.
	(iii)	CCOs should work with the Central RAP Team to refresh previously identified measures to combat change fatigue.

Transition to BAU	(i)	The Program should continue to carefully balance work to map out the transition to BAU with the need to ensure that all of the intended outcomes of the RAP are achieved.
	(ii)	The Program should continue to actively consider whether the Due Dates it is aiming for are appropriate.
	(iii)	The Program should consider how best to ensure that delivery discipline is maintained in the transition to BAU.

3. Board Governance Theme Milestones

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

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

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

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

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

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

3.1. Status of Board Governance Theme

3.1.1. Status of Board Governance Theme Milestones

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

During the Reporting Period the Program submitted the Closure Pack for one Board Governance Theme Milestone (Milestone 5.3) to Promontory. The Closure Pack was submitted before the relevant Due Date set out in the RAP.

At the Reporting Date Promontory was assessing two Board Governance Theme Milestones (Milestones 2.4 and 3.5), the Closure Packs for which were submitted in September 2020. Promontory was yet to start its review of one Board Governance Theme Milestone (Milestone 5.3), the Closure Pack for which was submitted in December 2020.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 17 of the 20 Board Governance Theme Milestones had been assessed as complete and effective.

Table 3.1: Progress on Board Governance Theme Milestones

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

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

3.1.2. Status of Board Governance Theme Recommendations

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

During the Reporting Period the Program submitted the Closure Pack for one Board Governance Theme Recommendation (Recommendation 5) to Promontory. The Closure Pack was submitted before the relevant Due Date set out in the RAP.

At the Reporting Date Promontory was assessing two Board Governance Theme Recommendations (Recommendations 2 and 3), the Closure Packs for which were submitted in September 2020. Promontory was yet to start its review of the Closure Pack for one Board Governance Recommendation (Recommendation 5) submitted in December 2020.

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

Table 3.2: Progress on Board Governance Theme Recommendations

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

4. Management Governance Theme Milestones

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

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

The *Inquiry Report* recommended that the Executive Committee embed collective accountability for management of the Group, mitigate the impact of risks that span BUs, elevate the stature of the compliance function, and establish an Executive-level Committee for oversight of 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

Progress on the Management Governance Theme Milestones is set out in Table 4.1. As at the Reporting Date all 19 Management Governance Theme Milestones had been assessed as complete and effective.

Table 4.1: Progress on Management Governance Theme Milestones

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

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

4.1.2. Status of Management Governance Theme Recommendations

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

During the Reporting Period:

- The Program submitted the Closure Pack for one Management Governance Theme Recommendation (Recommendation 6) to Promontory. The Closure Pack was submitted before the relevant Due Date set out in the RAP.

- Promontory assessed two Management Governance Theme Recommendations (Recommendations 8 and 19) as closed. The Closure Packs for these Recommendations were submitted in the Ninth Reporting Period.

At the Reporting Date Promontory was assessing one Management Governance Theme Recommendation (Recommendation 6), the Closure Pack for which was submitted in November 2020.

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

Table 4.2: Progress on Management Governance Theme Recommendations

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

4.2. Management Governance Theme Recommendation Assessment Outcomes

4.2.1. Assessment of Recommendation 8

The Target State for Recommendation 8 is that the establishment of a NFRC at the Executive level raises the visibility and stature of NFR, provides a central view for considering NFR issues across the Group and improves decision-making and consistency.

CBA is meeting the Target State through a number of initiatives:

- the ELT NFRC continues to meet on a monthly basis, with membership as outlined in the Target State;

- an internal ELT NFRC Performance Review presented to the ELT NFRC in August 2020 assessed the ELT NFRC as 'effective' and that Charter responsibilities were being met;

- the ELT NFRC endorsed a number of areas for continued improvement; and

- the Forward Agenda has been revised and shows a continued focus on the ELT NFRC's responsibilities as outlined in the Charter, including regular deep dives of topics identified by the ELT NFRC as key priority areas.

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

- includes a reference to the ELT NFRC Charter, which includes Target State requirements; and

- requires the regular review of the ELT NFRC's performance and the ELT NFRC Charter.

Promontory therefore considers that:

- all commitments from the final assessment of the prior Milestones have been adequately addressed;

- the Target State has been achieved;

- the Sustainability Plan has been operationalised;

- the Sustainability Plan is operating effectively to support the maintenance of the Target State; and

- a full cycle of the Sustainability Plan can be expected to provide evidence that the Target State can be maintained on an ongoing basis.

Promontory considers the Recommendation to be closed.

4.2.2. Assessment of Recommendation 19

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

A number of initiatives have been introduced to improve the capability and capacity of CBA to strengthen regulatory engagement and bolster its regulatory management framework. Group Regulatory Engagement Principles consistent with the Recommendation's themes of engagement, responsiveness, communication and a proactive stance have been developed and deployed.

CBA monitors its relationships with regulators through a number of reporting dashboards which are included in reporting to the Board and ELT NFRC.

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

- confirms the Group CRO as the Banking Executive Accountability Regime (**BEAR**) Accountable Executive responsible for reporting material breaches to the regulator; and

- requires an annual review of the regulatory engagement operating model. CBA has confirmed that the annual review will:

  ○ draw on both qualitative and quantitative measures;

  ○ include an assessment of the strength of dialogue and engagement against each of the Regulatory Engagement Principles; and

○ consider the effectiveness of regulatory reporting to the ELT NFRC and Board.

Promontory therefore considers that:

- all commitments from the final assessment of the prior Milestones have been adequately addressed;

- the Target State has been achieved;

- the Sustainability Plan has been operationalised;

- the Sustainability Plan is operating effectively to support the maintenance of the Target State; and

- a full cycle of the Sustainability Plan can be expected to provide evidence that the Target State can be maintained on an ongoing basis.

Promontory considers the Recommendation to be closed.

5. Operating Model (3LoA) Theme Milestones

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

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

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

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

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

5.1. Status of Operating Model (3LoA) Theme

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

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

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

During the Reporting Period:

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

- Promontory assessed one Operating Model (3LoA) Theme Milestone (Milestone 9.4) as complete and effective. The Closure Pack for this Milestone was submitted in March 2020.

- The Program was working on the two 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 nine of the 11 Operating Model (3LoA) Theme Milestones had been assessed as complete and effective.

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

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
9	3LoA	9.1 Design	Develop approach and tools to align OR&C activities with the 3LoA Principles	Sep-18	●
		9.1b Design	Define document and endorse roles and mandates of CCOs and Line 2 Risk Stewards	Dec-19	●
		9.2 Design	Develop plans to align BU/SU OR&C activities to the 3LoA Principles	Mar-19	●
		9.3 Design	Endorse plan to align to the 3LoA Principles of all risk types other than OR&C	Oct-19	●
		9.4 Implement	Realign Lines 1 and 2 OR&C activity	Mar-20	●
		9.4a Implement	Line 2 Risk Stewards for Prioritised Risk Types are in place	Dec-19	●
		9.5 Embed	Complete Line 3 assessment to determine whether Line 1 and 2 are operating in accordance with the 3LoA Principles	Feb-21[23]	◔
		9.5a Embed	Review to confirm whether the intent of the CCO and Line 2 Risk Steward roles are being achieved or should be adjusted	Feb-21[24]	◔
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	●

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[23] The Due Date for Milestone 9.5 was moved from December 2020 to February 2021 during the Reporting Period.

[24] The Due Date for Milestone 9.5a was moved from December 2020 to February 2021 during the Reporting Period.

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

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

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

During the Reporting Period:

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

- Promontory assessed one Operating Model (3LoA) Theme Recommendation (Recommendation 10) as closed. The Closure Pack for this Recommendation was submitted in June 2020.

- The Program was working on the one remaining Recommendation Closure Pack for this Theme.

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

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

#	Recommendation Description	Target State Description	Due Date	Progress
9	3LoA	There is consistent adherence to the 3LoA Principles across BU/SUs. Line 1 owns and manages risks, and Line 2 provides review and challenge.	May-21[25]	◔
10	CRO independence	BU CROs are, and are perceived to be, independent from BUs while continuing to be well-connected to BUs	Jun-20	●

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

5.2.1. Assessment of Recommendation 9 Milestone

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

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[25] The Due Date for Recommendation 9 was moved from February 2021 to May 2021 during the Reporting Period.

a) Milestone 9.4

Milestone 9.4 (an Implement Milestone) requires that CBA complete OR&C activity realignment between Line 1 and Line 2 in accordance with BU/SU realignment plans. It also requires that the realignment is subject to ELT oversight through regular updates, and supported by training and capability uplift.

CBA confirmed and provided evidence that:

- It has continued to implement BU/SU realignment plans (as set out under Milestone 9.2).

- Where activities still require realignment to Line 1, the relevant BU/SU has developed actions to achieve the realignment. These actions have been approved by the Line 2 for that BU/SU.

- The implementation of BU/SU realignment plans has been subject to self-review by each of the BU/SUs using standardised templates. The self-assessments consider the extent to which activities have been distributed between Line 1 and Line 2, as well as describing the level of confidence that the realigned risk activities are being performed effectively.

- BU/SUs have maintained templates recording adjustments made to the BU/SU realignment plans over the course of implementation.

- The Central RAP Team developed Implementation Oversight Reports for the ELT each quarter.

- Over the course of implementation, the ELT has endorsed adjustments or exceptions to the 3LoA principles.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestones 9.1 and 9.2 in relation to:

- the standard applied when approving exceptions and deviations from the 3LoA operating model;

- CBA's implementation governance, including its approach to monitoring the consistent application of the 3LoA Principles and Activities; and

- CBA's approach to ensuring that each of the OR&C Activities are consistently established in each Line and performed effectively, in accordance with the 3LoA Principles.

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

- documentation evidencing that the ELT had endorsed exceptions to the 3LoA operating model;

- the extent to which CBA had undertaken any additional assurance or reviews to confirm that activities have been effectively realigned;

- the governance mechanisms in place to ensure the effective implementation of actions to uplift activities where BU/SUs articulated 'Moderate' or 'Low' confidence that the activity was being performed effectively;

- the approach to managing interdependencies between the 3LoA implementation and the capability and capacity uplift set out under Recommendation 13;

- the approach to consistently addressing instances of unclear risk accountabilities across BU/SUs;

- CBA's management of capacity constraints in implementing the 3LoA operating model;

- CBA's approach to realigning activities to the business, rather than to the Controls Office; and

- analysis of activities being performed in Line 2 currently against the Line 2 activities set out in the 3LoA Principles and Activities documents (as set out in Milestone 9.1) to identify any gaps or deviation.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that CBA has made appropriate progress in implementing the 3LoA operating model, as set out under the Milestone Description, and provided sufficient responses in relation to the Program's approach to addressing resourcing, consistency, and accountability challenges throughout the remainder of 3LoA implementation.

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

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

- CBA's progress in addressing the challenges identified as part of the 3LoA Health Checks;

- clarifying the operating model between the business and the Controls Office within BU/SUs; and

- the outcomes of the Capability Assessment and how BU/SUs have addressed any gaps identified that may materially affect successfully embedding the 3LoA operating model.

5.3. Operating Model (3LoA) Theme Recommendation Assessment Outcomes

5.3.1. Assessment of Recommendation 10

The Target State for Recommendation 10 is that the CROs remain independent from the business and are also perceived to be so. While remaining independent, the CROs must nevertheless continue to be well-connected to the business to enable them to provide effective review and challenge.

A number of initiatives have been introduced to ensure the independence of the CROs and strengthen their role within the business including:

- the development of BU CRO Engagement Protocols;

- clarifying that the BU CROs report to the risk function;

- changes to BU CRO KPIs and Role Profiles to explicitly require independence, with the Group CRO accountable for performance review of BU CROs; and

- requiring BU CROs to be co-located with the business and to attend senior management meetings.

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

- details accountability for the processes owned by Line 2 (such as the 3LoA Principles, BU CRO Engagement Protocols, and BU CRO Role Profiles, KPIs and Scorecards) and the processes owned by Line 1 (Group annual performance review cycle, overall KPI framework and Role Profile Templates);

- outlines the controls in place to support the independence of the BU CROs;

- defines the inputs and metrics supporting the annual BU CRO Engagement Protocol Review paper; and

- requires the results of the annual BU CRO Engagement Protocol Review to be reported to the Group CRO.

Promontory therefore considers that:

- all commitments from the final assessment of the prior Milestones have been adequately addressed;

- the Target State has been achieved;

- the Sustainability Plan has been operationalised;

- the Sustainability Plan is operating effectively to support the maintenance of the Target State; and

- a full cycle of the Sustainability Plan can be expected to provide evidence that the Target State can be maintained on an ongoing basis.

Promontory considers the Recommendation to be closed.

6. Risk Appetite, Taxonomy and Standards Theme Milestones

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

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

The *Inquiry Report* recommended that CBA strengthen its management of operational and compliance risk. In doing so, it recommended that CBA develop granular metrics for limits relating to 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 12d.2b) as complete and effective. The Closure Pack for this Milestone was submitted in June 2020.

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

At the Reporting Date Promontory was assessing five Risk Appetite, Taxonomy and Standards Theme Milestones (Milestones 12a.7, 12b.2b, 12b.3a and 12c.3 and 12d.2c), the Closure Packs for which were submitted in the Eighth and Ninth Reporting Periods.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 13 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	◕

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
12b	NFR minimum standards	12b.1 Design	Define criteria for minimum standards in relation to NFR	Dec-18	●
		12b.2a Implement	Define minimum standards for first wave of Prioritised Risk Types	Nov-19	●
		12b.2b Implement	Define minimum standards for second wave of Prioritised Risk Types	Aug-20	◕
		12b.3a Embed	Embed minimum standard for first wave of Prioritised Risk Types	Jun-20	◕
		12b.3b Embed	Embed minimum standard for second wave of Prioritised Risk Types	Feb-21	◔
12c	Emerging risks	12c.1 Design	Dedicate time to consider emerging risks at the ELT NFRC	Dec-18	●
		12c.2 Implement	Discuss emerging risks at ELT NFRC	Nov-19	●
		12c.3 Embed	ELT NFRC holds discussion on emerging risks and receives reporting that is supported by discussion at BU/SU NFRCs	Sep-20	◕
12d	Line 2 assurance	12d.1 Design	Define the Line 2 Assurance/Monitoring Program for OR&C	Dec-18	●
		12d.2 Implement	Design Line 2 assurance plans and train Line 2 staff doing assurance activity	Jun-19	●
		12d.2b Implement	Consider and apply changes to design of Line 2 Assurance Standard, Procedure, governance and Plans	Jun-20	●
		12d.2c Implement	Roll out finalised FY21 Line 2 Assurance Program to BU/SU Line 2	Sep-20	◕
		12d.3 Embed	FY21 Line 2 Assurance Programs are operational, Line 3 assesses the Programs and appropriate management action (as relevant) is agreed	Apr-21	◔

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

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

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

During the Reporting Period:

- The Program submitted the Closure Pack for one Risk Appetite, Taxonomy and Standards Theme Recommendation (Recommendation 12a) to Promontory. The Closure Pack was submitted before the relevant Due Date set out in the RAP.

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

At the Reporting Date Promontory was assessing one Risk Appetite, Taxonomy and Standards Theme Recommendation (Recommendation 12c), the Closure Pack for which was submitted in September 2020. Promontory was yet to start its review of the Closure Pack for one Risk Appetite, Taxonomy and Standards Theme Recommendation (Recommendation 12a) submitted in December 2020.

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

#	Recommendation Description	Target State Description	Due Date	Progress
12a	RAS limits	CBA strengthen its management of OR&C and ensure that the Group RAS includes limits and triggers for more granular OR&C metrics by risk theme	Dec-20	◐
12b	NFR minimum standards	Clear, simple and enforceable OR&C minimum standards uplift NFR management and are continually refreshed	May-21[26]	◕
12c	Emerging risks	The ELT NFRC dedicate specific agenda time to understanding and addressing emerging risks resulting in more proactive identification and management of risks	Sep-20	◕
12d	Line 2 assurance	A Line 2 Assurance Plan is deployed to provide selected, targeted and effective independent assurance over relevant ORMF/CMF and risk type policies	May-21	◔

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[26] The Due Date for Recommendation 12b was moved from February 2021 to May 2021 during the Reporting Period.

6.2. Risk Appetite, Taxonomy and Standards Milestone Assessment Outcome

6.2.1. Assessment of Recommendation 12d Milestone

The Target State for Recommendation 12d is the deployment of a Line 2 Assurance Program, consistent with the realignment of risk management activities to the Group 3LoA principles, to provide effective independent assurance over BU/SU risk profiles, risk appetite, the Risk Management Approach, and the Operational Risk Management Framework and Compliance Management Framework.

a) Milestone 12d.2b

Milestone 12d.2b (an Implement Milestone) requires that the Line 2 Assurance Program for OR&C has commenced and that CBA has:

- considered and applied appropriate changes to the design of the Line 2 Assurance Standard and Procedure;

- operationalised the FY20 Line 2 Assurance Plan for OR&C with assurance activity subject to appropriate governance and transparency;

- reported the outcomes of the FY20 Line 2 assurance activity to the appropriate committees; and

- updated the FY20 Line 2 Assurance Plan and approach during FY20 as appropriate.

CBA confirmed and provided evidence that:

- changes to the Line 2 Assurance Standard and Procedure incorporating the implementation experience to date had been identified;

- an updated FY20 Line 2 Assurance Plan had been developed and approved; and

- changes to the FY20 Line 2 Assurance Plan were tabled at the ELT NFRC.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 12d.2 in relation to:

- the level of reliance placed on Line 1 assurance activities and the extent to which Line 2 is conducting an objective and independent assessment of the control environment;

- the details provided to each BU/SU in relation to Group-mandated reviews, including review objectives, assurance method, timeframe, and risk themes;

- the outcomes of activities by CBA to monitor and uplift the capability and capacity of Line 2 resources; and

- the implementation of the RiS assurance module.

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

- the process for FY20 Line 2 assurance review approvals;

- updates made to the Line 2 Assurance Standard and Procedure;

- findings from a sample of FY20 assurance reviews;

- progress on the FY21 Line 2 Assurance Plan; and

- the de-scoping of the FY20 Line 2 Assurance Plan.

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

- CBA has developed a timeframe and approach for embedding the updated Line 2 Assurance Standard and Procedure;

- CBA has developed the FY21 planning approach and included lessons learned from the FY20 process;

- BU/SU CRO approval was provided for Line 2 Assurance Plan changes through FY20; and

- the approach to Line 2 assurance takes into account reliance on Line 1 testing.

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

In finalising our assessment, we foreshadowed that our assessments of the Embed Milestones for this Recommendation will include consideration of the following:

- progress in embedding the updated Line 2 Assurance Standard and Procedure across the Group;

- whether the FY21 Line 2 Assurance Plan is on-track, achievable, and remains appropriate;

- evidence of a consistent approach to reliance on Line 1 testing across Line 2 assurance reviews; and

- the quality of sample assurance reviews and the extent to which they have been executed in accordance with the updated Line 2 Assurance Standard.

7. Accountability and Controls Delivery Theme Milestones

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

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

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

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

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

7.1. Status of Accountability and Controls Delivery Theme

7.1.1. Status of Accountability and Controls Delivery Theme Milestones

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.3d) to Promontory. The Closure Pack was submitted before the relevant Due Date set out in the RAP.

- The Program was working on the one remaining Embed Milestone for this Theme.

At the Reporting Date Promontory was assessing three Accountability and Controls Delivery Theme Milestones (Milestones 12e.3c, 12f.3 and 16.3), the Closure Packs for which were submitted in the Eighth and Ninth Reporting Periods. Promontory was yet to start its review of one Accountability and Controls Delivery Theme Milestone (Milestone 12e.3d), the Closure Pack for which was submitted in December 2020.

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

Table 7.1: Progress on Accountability and Controls Delivery Theme Milestones

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
12e	Control environment	12e.1 Design	Develop the approach to operationalise the Group OR&C frameworks to uplift the control environment through the RMI program	Dec-18	●
		12e.2 Implement	Establish an initial baseline understanding of material risks and controls for each BU/SU	Mar-19	◫
		12e.3a Implement	Commence Risk Profile Consolidation and Value Chain mapping	Dec-19	●
		12e.3b Implement	Consolidate BU/SU risk profiles, update Risk Taxonomy for all risk types and provide guidance on baselining	Mar-20	●
		12e.3c Implement	Complete updating BU/SU risk profiles via Improving RCSA for Financial Crimes Compliance	Jul-20	◕
		12e.3d Implement	Complete updating BU/SU risk profiles via Improving RCSA for Privacy	Dec-20	◐
		12e.4b Embed	Evidence of an improvement in the assessment of Risk, obligations and Control environment for Financial Crimes Compliance and Privacy	Feb-21	◔
12f	Root causes	12f.1 Design	Define root cause analysis as part of the Issue Management Standard	Dec-18	●
		12f.2 Implement	Implement root cause analysis as part of the Issue Management Standard	Dec-19	●
		12f.3 Embed	Root cause analysis completed for all issues prescribed in the Issue Management Standard	Jun-20	◕

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
16	Issue management	16.1 Design	Design the Issue Management Standard	Dec-18	●
		16.2 Implement	Roll out updated Issue Management Standard to each BU/SU	Dec-19	●
		16.3 Embed	BU/SUs manage all issues in line with Issue Management Standard	Jun-20	◕

7.1.2. Status of Accountability and Controls Delivery Theme Recommendations

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

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

During the Reporting Period:

- The Program submitted the Closure Packs for two Accountability and Controls Delivery Theme Recommendations (Recommendations 12f and 16). The Closure Packs were submitted before the relevant Due Dates set out in the RAP.

- The Program was working on the one remaining Recommendation Closure Pack for this Theme.

At the Reporting Date Promontory was yet to start its review of the Closure Packs for two Accountability and Controls Delivery Theme Recommendations (Recommendations 12f and 16) submitted in December 2020.

Table 7.2: Progress on Accountability and Controls Delivery Theme Recommendations

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

8. Customer Outcomes Theme Milestones

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

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

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

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

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

8.1. Status of Customer Outcomes Theme

8.1.1. Status of Customer Outcomes Theme Milestones

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

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

During the Reporting Period:

- The Program submitted the Closure Pack for one Customer Outcomes Theme Milestone (Milestone 17.3) to Promontory. The Closure Pack was submitted before the relevant Due Date set out in the RAP.

- Promontory assessed two Customer Outcomes Theme Milestones (Milestones 21.2 and 21.3) as complete and effective. The Closure Packs for these Milestones were submitted in June 2020.

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

At the Reporting Date Promontory was assessing two Customer Outcomes Theme Milestones (Milestones 15.4a and 18.3), the Closure Packs for which were submitted in the Eighth and Ninth Reporting Periods. Promontory was yet to start its review of one Customer Outcomes Theme Milestone (Milestone 17.3), the Closure Pack for which was submitted in December 2020.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 12 of the 16 Customer Outcomes Theme Milestones had been assessed as complete and effective.

Table 8.1: Progress on Customer Outcomes Theme Milestones

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Status
15	Conduct Risk Strategy	15.1 Design	Develop and CEO communicate 'Values expectations'	Aug-18	●
		15.2a Design	Develop the Code of Conduct, and accompanying roll out plan	Oct-18	●
		15.2b Design	Ensure the conduct components of Group Risk Management Approach and RAS support improvement in Conduct Risk management	Dec-18	●
		15.3 Implement	Code of Conduct rolled out, including communication and training	Mar-19	●
		15.4 Implement	Implement Conduct Risk Strategy across the Group	Dec-19	●
		15.4a Implement	Update BU/SU risk profiles via Improving RCSA for Conduct first wave prioritised risk types	Jun-20	◔
		15.5 Embed	Conduct Risk Strategy embedded across the Group and Conduct Risk Baselining Guidance material provided	Mar-21[27]	◔

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[27] The Due Date for Milestone 15.5 was moved from February 2021 to March 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	Dec-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	Sep-20	◕
21	'Should we'	21.1 Design	Articulate how references to expect customer outcomes will be incorporated into key Group policies	Jun-19	●
		21.2 Implement	Replication of Milestone 21.3	Jun-20	●
		21.3 Embed	Application of the 'should we' test in governance forums	Jun-20	●

8.1.2. Status of Customer Outcomes Theme Recommendations

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

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

During the Reporting Period:

- The Program submitted the Closure Pack for one Customer Outcomes Theme Recommendation (Recommendation 17) to Promontory. The Closure Pack was submitted before the relevant Due Date set out in the RAP.

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

At the Reporting Date Promontory was assessing two Customer Outcomes Theme Recommendations (Recommendations 18 and 21), the Closure Packs for which were submitted in the Eighth and Ninth Reporting Period. Promontory was yet to start its review of the Closure Pack for one Customer Outcomes Theme Recommendation (Recommendation 17) submitted in December 2020.

Table 8.2: Progress on Customer Outcomes Theme Recommendations

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

8.2. Customer Outcomes Theme Milestone Assessment Outcomes

8.2.1. Assessment of Recommendation 21 Milestones

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

a)   Milestones 21.2 and 21.3

Milestone 21.3 (an Embed Milestone) requires the 'should we' test to be incorporated into the employee lifecycle, the Charters for key Group and BU/SU decision making forums, and the Project Prioritisation processes. The Milestone also requires that Product Governance Forums to be in place and key decision making forums to be informed on customer insights.

Milestone 21.2 (an Implement Milestone) repeats and refers directly to Milestone 21.3. We assessed Milestone 21.2 and Milestone 21.3 together.

CBA confirmed and provided evidence that it has:

- incorporated references to the Code of Conduct, Values Expectations and the 'should we' test into CBA frameworks, practices and as part of the organisational culture;

- implemented targeted interventions to support mindset and behaviours;

- incorporated consideration of the 'should we' test into the Charters of key Group and BU/SU decision-making forums;

- developed guidance that requires BU/SUs to document consideration of the 'should we' test in investment portfolio planning as part of the Change Investment Process (**CIP**); and

- established Product Governance Forums for BUs and Lines of Business with a product focus.

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

After reviewing Closure Pack for these Milestones, Promontory requested and received further information and interviewed relevant stakeholders on matters including:

- measure to assess the effectiveness of governance forums;

- new controls proposed by Group Conduct Risk;

- interactions with the planned values refresh; and

- plans for oversight to ensure that the Group is meeting the Target State consistently and 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 'should we' test has been incorporated into the relevant areas, that the Product Governance Forums are in place, and that key decision making forums are informed on customer insights.

As such, we consider that:

- the Milestones' 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 Milestones are, therefore, complete and effective.

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

- documentation in RiS of certain controls; and

- plans to improve the documentation of the application of the 'should we' test.

9. Culture, Capability and Consequences Theme Milestones

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

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

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

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

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

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

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

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

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

9.1. Status of Culture, Capability and Consequences Theme

9.1.1. Status of Culture, Capability and Consequences Theme Milestones

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

During the Reporting Period:

- The Program submitted the Closure Packs for six Culture, Capability and Consequences Theme Milestones (Milestones 13.3, 22.3b, 23.3, 24b.3, 24c.3 and 26.4) to Promontory. The Closure Packs were submitted before the relevant Due Dates set out in the RAP.

- Promontory assessed one Culture, Capability and Consequences Theme Milestone (Milestone 13.2) as complete and effective. The Closure Pack for this Milestone was submitted in July 2020.

At the Reporting Date Promontory was assessing four Culture, Capability and Consequences Theme Milestones (Milestones 27.3, 28.3, 29.3 and 30.3), the Closure Packs for which were submitted in September 2020. Promontory was yet to start its review of six Culture, Capability and Consequences Theme Milestones (Milestones 13.3, 22.3b, 23.3, 24b.3, 24c.3 and 26.4), the Closure Packs for which were submitted in December 2020.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 40 of the 50 Culture, Capability and Consequences Theme Milestones had been assessed as complete and effective.

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

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

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
22	Accountability Principles	22.1 Design	Design plans to incorporate and communicate APRA's Accountability Principles into existing accountability frameworks and processes	Dec-18	●
		22.2 Implement	Implement Accountability Principles via BEAR requirements, existing accountability frameworks and staff communication	Nov-19	●
		22.3a Embed	Annual review of the application of the Accountability Principles	Jun-20	●
		22.3b Embed	Failings of accountability consequences are reflected in key individuals' performance reviews and the remunerations and consequences outcomes for FY20	Dec-20	◐
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	●

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
24b	Analytics and reporting	24b.1 Design	Develop plan for enhanced analytics and reporting on remuneration outcomes to be provided to the PRC	Jul-19	●
		24b.2 Implement	Improve analytics and reporting provided to Board	Dec-19	●
		24b.2b Embed	Evidence of outcomes and action arising from April 2020 Group Remuneration Policy effectiveness review	Jun-20	●
		24b.3 Embed	Management provides analytics and reporting in line with Target State requirements	Dec-20	◑
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	●

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

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
27	Culture of self-reflection	27.1 Design	Establish baselines and develop plans to uplift risk culture mindsets and behaviours with targeted initiatives on self-reflection	Mar-19	●
		27.2a Implement	Implement targeted interventions on senior leader capability, leadership diagnostics and performance assessment	Mar-20	●
		27.2b Implement	Refresh targeted interventions based on new insights	May-20	●
		27.3 Embed	Embedding of target interventions and periodic monitoring of ongoing progress	Sep-20	◕
28	Personal and authentic leadership	28.1 Design	Establish baselines and develop plans to uplift risk culture mindsets and behaviours, with targeted initiatives on role-modelling by senior leaders	Mar-19	●
		28.2a Implement	Implement targeted interventions and annual re-assessment of leader-led training and senior leader communications	Mar-20	●
		28.2b Implement	Refresh targeted interventions based on new insights	May-20	●
		28.3 Embed	Cross reference Milestone 27.3	Sep-20	◕
29	BU/SU relationships	29.1 Design	Establish baselines and develop plans to uplift risk culture mindsets and behaviours, with targeted initiatives on the relationship between business and risk functions	Mar-19	●
		29.2a Implement	Implement targeted interventions including Lines 1 and 2 engagement forums and career pathways	Mar-20	●
		29.2b Implement	Refresh targeted interventions based on new insights	May-20	●
		29.3 Embed	Cross reference Milestone 27.3	Sep-20	◕

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
30	Vision and Values	30.1 Design	Establish baselines and develop plans to uplift risk culture mindsets and behaviours, with targeted initiatives on conduct and values	Mar-19	●
		30.2a Implement	Implement targeted interventions including communications, recognition, values performance assessment and HR processes	Mar-20	●
		30.2b Implement	Refresh targeted interventions based on new insights	May-20	●
		30.3 Embed	Cross reference Milestone 27.3	Sep-20	◕

9.1.2. Status of Culture, Capability and Consequences Theme Recommendations

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

During the Reporting Period the Program submitted the Closure Packs for nine Culture, Capability and Consequences Theme Recommendations (Recommendations 13, 22, 23, 24b, 24c, 25a, 25b, 25c and 26) to Promontory. The Closure Packs were submitted before the relevant Due Dates set out in the RAP.

At the Reporting Date Promontory was assessing seven Culture, Capability and Consequences Theme Recommendations (Recommendations 25a, 25b, 25c, 27, 28, 29 and 30), the Closure Packs for which were submitted in the Ninth and Tenth Reporting Period. Promontory was yet to start its review of the Closure Packs for six Culture, Capability and Consequences Theme Recommendations (Recommendations 13, 22, 23, 24b, 24c and 26) submitted in December 2020.

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

Table 9.2: Progress on Culture, Capability and Consequences Theme Recommendations

#	Recommendation Description	Target State Description	Due Date	Progress
13	Resourcing	The Group has an adequate number of OR&C Risk Professionals, with the right skill sets to support effective NFR management	Dec-20	◐
22	Accountability Principles	The Accountability Principles are incorporated for GEs, tailored and cascaded across the Group, and accountability frameworks embedded	Dec-20	◐
23	Board governance of remuneration	The PRC has the visibility, knowledge and expertise to challenge the Group and Executive remuneration process and its outcomes	Dec-20	◐
24a	CRO assessment	Formal, documented CRO risk assessment of the effectiveness of risk management within each GE's area of responsibility is provided to the PRC	Mar-20	●
24b	Analytics and reporting	The PRC receives comprehensive reporting to enable assurance and challenge of the Group's remuneration outcomes	Dec-20	◐
24c	Board Risk Committee support	The PRC's approach to remuneration takes account of the full range of current and potential risks through coordination and support from the BAC and BRCC	Dec-20	◐
25a	Board guidance on risk adjustments	The Board sets the tone from the top with clear expectations and comprehensive guidance and criteria on how adjustment to remuneration should be determined for positive or poor risk outcomes and behaviours	Nov-20	◔
25b	Risk function support on risk adjustments	Robust application of the risk assessment process, and the risk modifier supported by challenge from the Risk function to link risk outcomes with remuneration	Nov-20	◔
25c	Communication of outcomes	Internal and external transparency and communication of the remuneration impact of positive and poor risk outcomes reinforces the Group's culture expectations and accountabilities	Nov-20	◔
26	Remuneration framework review	All key remuneration frameworks and practices are reviewed and, where appropriate, aligned to better global practice	Dec-20	◐

#	Recommendation Description	Target State Description	Due Date	Progress
27	Culture of self-reflection	Senior Leader demonstrate appreciation and capability for reflection, challenge and learning	Sep-20	◕
28	Personal and authentic leadership	Senior Leader capabilities are uplifted to enable role modelling of good risk management	Sep-20	◕
29	BU/SU relationships	Relationships of mutual respect and open communication, between BU/SU and risk counterparts at all levels	Sep-20	◕
30	Vision and Values	The Group's refreshed values set clear expectations for the ethical behaviours and pro-active action to deliver optimal outcomes	Sep-20	◕

9.2. Culture, Capability and Consequences Theme Milestone Assessment Outcomes

9.2.1. Assessment of Recommendation 13 Milestone

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

a)   Milestone 13.2

Milestone 13.2 (an Implement Milestone) requires risk capability to be implemented across:

- training – risk capability training program implemented with feedback used to refine the training;

- recruitment – workforce planning strategy in place aligned with the requirements of the 3LOA target operating model; and

- retention – execution of retention strategy initiatives and tracking of staff retention.

CBA confirmed and provided evidence that:

- a Capability Baseline was established in November 2019, following the August 2019 Capability Assessment of OR&C risk professionals in Line 1 and 2;

- OR&C capability training has been implemented via an annual Training Plan targeted at OR&C risk professionals, supported by a broader OR&C Curriculum, with feedback monitored and actioned;

- a 'Pulse Check' measuring OR&C leaders' assessment of their team's issue management capability was conducted in May 2020;

- FTE requirements have been progressively filled in line with the workforce plan to meet 3LoA target state requirements; and

- retention initiatives have been implemented with retention data regularly monitored and reported.

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

- the scope of the Recommendation 13 initiatives, particularly in relation to 'Line 1 Risk and Controls' roles;

- links between the needs identified in the Capability Assessment and recruitment priorities; and

- the ELT's visibility of key initiatives.

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 training, recruitment and retention initiatives.

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

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

- whether the learnings from the OR&C Capability and Assessment PIR have been incorporated into the 2020 Capability Assessment;

- whether there is sufficient clarity about the scope of 'Line 1 Risk and Controls' roles for Recommendation 13 initiatives;

- the ELT's consideration of refreshed capability plans and the 2020 Capability Assessment; and

- system changes made to ensure efficient management of OR&C roles.

10. Program Execution Theme Milestones

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

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

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

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

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

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

10.1. Status of Program Execution Theme

10.1.1. Status of Program Execution Theme Milestones

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

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

During the Reporting Period:

- The Program submitted Closure Packs for three Program Execution Theme Milestones (Milestones 31.3, 32.3 and 35.2b) to Promontory. The Closure Packs were submitted before the relevant Due Dates set out in the RAP.

- Promontory assessed four Program Execution Theme Milestones (Milestones 20.3, 33a.3 33b.3 and 34.2) as complete and effective. The Closure Packs for these Milestones were submitted in July 2020.

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

At the Reporting Date Promontory was assessing four Program Execution Theme Milestones (Milestones 11.4, 31.3, 32.3 and 34.3), the Closure Packs for which were submitted in the Ninth and Tenth Reporting Periods. Promontory was yet to start its review of one Program Execution Theme Milestone (Milestone 35.2b), the Closure Pack for which was submitted in December 2020.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, 21 of the 28 Program Execution Theme Milestones had been assessed as complete and effective.

Table 10.1: Progress on Program Execution Theme Milestones

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

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

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

10.1.2. Status of Program Execution Theme Recommendations

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

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

During the Reporting Period:

- The Program submitted the Closure Packs for three Program Execution Theme Recommendations (Recommendations 11, 31 and 32) to Promontory. The Closure Packs were submitted before the relevant Due Dates set out in the RAP.

- Promontory assessed one Program Execution Theme Recommendation (Recommendation 33a) as closed. The Closure Pack for this Recommendation was submitted in July 2020.

- The Program was working on the one remaining Recommendation Closure Pack for this Theme.

At the Reporting Date Promontory was assessing six Program Execution Theme Recommendations (Recommendations 11, 20, 31, 32, 33b and 34), the Closure Packs for which were submitted in the Ninth and Tenth Reporting Periods.

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

Table 10.2: Progress on Program Execution Theme Recommendations

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

a) Milestone 20.3

Milestone 20.3 (an Embed Milestone) requires completion of the updated CIP cycle with new reporting on emerging risk and a pre-emptive risk investment approach.

CBA confirmed and provided evidence that:

- the CIP had been applied with investment prioritisation decisions in line with new 'Guiding Principles' that support a pre-emptive investment approach for risk and regulatory projects;

- the ELT endorsed the final baseline Group portfolio in July 2020, with BU/SUs considering the risk acceptances required; and

- the Risk and Regulatory Dashboard was presented to the ELT NFRC in August 2020 with details of risk and regulatory proposals, as well as emerging risks, resilience issues, risk outcomes and High-rated issues.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestones 20.1 and 20.2 in relation to:

- CIP investment categories;

- alignment between reporting of emerging risks at the ELT NFRC and as part of the Dashboard;

- guidance provided on identification of emerging and Medium-rated issues for inclusion in the Dashboard; and

- the level of transparency on the impact of investment decisions on risk profiles.

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

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

- the level of transparency of the impact on risk profiles associated with decisions to fund or not fund certain projects;

- the role of stakeholders (including the ELT NFRC and the Group Customer Advocate);

- plans for the ELT NFRC Risk and Regulatory Dashboard, including guidance in relation to emerging risks; and

- ongoing governance and timing under the CIP.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that CBA has effectively applied the updated CIP in terms of it providing a pre-emptive approach to investment in risk and regulatory projects with adequate consideration of emerging risks and risk outcomes.

As such, we consider that:

- the Milestone's Closure Criteria have been met;

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

- the Target State has been achieved; and

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

The Milestone is, therefore, complete and effective.

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

- finalised FY21 risk acceptances;

- evidence of planned CIP enhancements; and

- updated guidance to apply to the FY22 CIP.

10.2.2. Assessment of Recommendation 33a Milestone

The Target State for Recommendation 33a is that CBA is able to ensure sufficient resources are made available to ensure the prioritisation of the Recommendations of the *Inquiry Report* through to successful delivery.

a)   Milestone 33a.3

Milestone 33a.3 (an Embed Milestone) requires the monthly review of BU/SU resource forecasting to ensure resources are appropriately prioritised to deliver the RAP, and reporting of technology capacity required for RAP.

CBA confirmed and provided evidence that:

- BU/SU resource forecasting to deliver the RAP has been consistently reported on a monthly basis to key RAP governance forums, with oversight and engagement by the Central RAP Team;

- the forecasting approach has been refined over time; and

- reports on required technology capacity for the RAP are provided to the RAP Governance Forum on a monthly basis (with discussion of any issues or constraints), and to the ELT through monthly portfolio updates.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestones 33a.1 and 33a.2 in relation to:

- the implementation of the Standard Operating Procedure;

- consistency of BU/SU escalation processes for go-to-green plans; and

- the effectiveness of the EPMO to monitor and report on technology capacity.

A Sustainability Plan was not developed for this Milestone given that Recommendation 33a is specific to RAP timeframes. Promontory supported this decision.

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

- resource forecasting timeframes;

- the approach to forecasting the requirement for certain resources;

- the approach to addressing identified resourcing gaps; and

- reporting on technology capacity.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that CBA is effectively monitoring and reporting BU/SU resource forecasting and technology capacity required for RAP.

As such, we consider that:

- the Milestone's Closure Criteria have been met;

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

- the Target State has been achieved.

The Milestone is, therefore, complete and effective.

10.2.3. Assessment of Recommendation 33b Milestone

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

a)   Milestone 33b.3

Milestone 33b.3 (an Embed Milestone) requires consideration of the need to stop or defer Programs in flight to ensure capacity is being directed appropriately in line with the CIP process.

Due to the interdependency with Recommendation 20 in relation to the CIP, we conducted the assessment of Milestone 33b.3 in conjunction with our assessment of Milestone 20.3.

CBA confirmed and provided evidence that:

- the CIP has been applied with investment prioritisation decisions in line with new 'Guiding Principles';

- the ELT endorsed the final baseline Group portfolio in July 2020, with BU/SUs considering the risk acceptances required; and

- the Risk and Regulatory Dashboard was presented to the ELT NFRC in August 2020 with details of risk and regulatory proposals that were funded and not funded.

A Sustainability Plan was not developed for this Milestone given that Recommendation 33b is specific to RAP timeframes. Promontory supported this decision.

After reviewing the Closure Pack for this Milestone (and Milestone 20.3), Promontory requested and received further information and interviewed relevant stakeholders on matters including:

- the level of transparency of the impact on risk profiles associated with decisions to fund or not fund certain projects;

- the role of stakeholders (including the ELT NFRC and the Group Customer Advocate);

- plans for the Risk and Regulatory Dashboard; and

- ongoing governance and timing under the CIP.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that CBA has effectively applied the CIP in terms of decisions to stop or defer programs to ensure capacity is being directed appropriately.

As such, we consider that:

- the Milestone's Closure Criteria have been met;

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

- the Target State has been achieved.

The Milestone is, therefore, complete and effective.

In finalising our assessment, we foreshadowed that our assessment when closing this Recommendation will include consideration of the issues set out in the Final Assessment of Milestone 20.3.

10.2.4. Assessment of Recommendation 34 Milestone

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

a) Milestone 34.2

Milestone 34.2 (an Implement Milestone) requires the GDF to be implemented, including:

- applicability to all initiatives that are funded through the CIP;

- the definition of minimum standards with defined stage gates and governance that need to be met by all initiatives;

- implementation of an assurance framework that determines whether initiatives will achieve their stated objectives within timeframe and budget, and a defined set of triggers for intervention where they are going off-track;

- initiatives being supported by leaders and delivery teams with the right skillsets and clearly defined roles and responsibilities; and

- ensuring that RiC requirements and handoff points are integrated through the GDF.

CBA confirmed and provided evidence that:

- version 6 of the GDF was launched in April 2020 with full transition required by 30 September 2020;

- the GDF provides three different pathways to accommodate the different types of investment-funded change initiatives delivered across the Group;

- GDF Minimum Standards have been developed setting out mandatory requirements applying across the lifecycle of the framework for each pathway;

- a number of targeted assurance activities have been completed in line with a GDF Delivery Health and Assurance Framework;

- Key Roles and a set of skillsets, seniority, employment status and time commitment requirements for each role have been defined; and

- RiC requirements have been integrated and signposted through the GDF.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 34.1 in relation to:

- Whether the PPMC tool had been developed and effectively embedded; and

- Whether the list of projects showing status of adherence to the GDF is readily available.

Based on our assessment of the Milestone Closure Pack, we concluded that GDF has been implemented as required by the Milestone.

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

10.3. Program Execution Theme Recommendation Assessment Outcomes

10.3.1. Assessment of Recommendation 33a

The Target State for Recommendation 33a is that CBA is able to ensure sufficient resources are made available to ensure the prioritisation of the Recommendations of the *Inquiry Report* through to successful delivery.

CBA is meeting the Target State through a number of initiatives:

- regular monitoring and reporting on BU/SU resource forecasting (consumption and production resources) to deliver the RAP, with oversight and engagement by the Central RAP Team;

- the escalation of risks and issues (including to BU/SU NFRCs); and

- regular reporting on required technology capacity at the RAP governance forums and the ELT.

A Sustainability Plan was not developed for this Milestone given that Recommendation 33a is specific to RAP timeframes. Promontory supported this decision.

Promontory therefore considers that:

- all commitments from the final assessment of the prior Milestones have been adequately addressed; and

- the Target State has been achieved.

Promontory considers the Recommendation to be closed.