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

Eleventh Report

30 April 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 Eleventh report (**Eleventh Report**) in relation to execution of the RAP. The Report provides an update on actions CBA has taken to execute the RAP in the period from 1 January 2021 to 31 March 2021. It also provides an update on CBA's program management of the RAP.*

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

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

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Contents

Definitions

3LoA	Three Lines of Accountability
AHL	Aussie Home Loans
APRA	Australian Prudential Regulation Authority
BAC	Board Audit Committee
BAU	Business-as-usual
BB	Business Banking
BEAR	Banking Executive Accountability Regime
BRCC	Board Risk and Compliance Committee
BUs	Business Units
BW	BankWest
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
EGM	Executive General Manager
Eighth Report	Promontory's eighth report dated 31 July 2020
Eleventh Report	Promontory's eleventh report dated 30 April 2021
ELT	Executive Leadership Team
ES	Enterprise Services
EU	Enforceable Undertaking
FCC	Financial Crimes Compliance
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
L&GG	Legal and Group Governance
MCA	Marketing and Corporate Affairs
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
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, 30 October 2020 and 29 January 2021
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 March 2021
Reporting Period	1 January 2021 to 31 March 2021
RiC	Risk in Change
RiS	RiskInSite
RM	Risk Management
RMAP	Risk Management Action Plan
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
Transition Period	The period beyond submission of the final Recommendation of the RAP
Transition Period Plan	The plan developed for the body of work that is to be completed during the Transition Period

Executive Summary

This is the eleventh report (**Eleventh 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**), 30 October 2020 (**Ninth Report**) and 29 January 2021 (**Tenth Report**)[1].

The Eleventh Report sets out our observations on CBA's activities on the Remedial Action Plan (**RAP**), (as required by paragraph 12 of the EU), between 1 January 2021 and 31 March 2021 (the **Reporting Period**). The status of RAP Milestones is reported as at 31 March 2021 (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 174 (out of a total of 177) Milestones, and 39 (out of a total of 45) Recommendations[2].

During the Reporting Period the Board and Executive Leadership Team (**ELT**) continued to actively oversee and engage with the Program.

The Program continued to make progress in improving data quality, with the processes and systems developed in the prior Reporting Period continuing to be implemented. Executive Leaders stressed the importance of data quality in managing Non-Financial Risk (**NFR**) in their communications with staff.

Several findings from the Three Lines of Accountability (**3LoA**) audit were also addressed during the Reporting Period. While further work is still required to embed CBA's 3LoA operating model, the Program made significant progress in realising the expected outcomes of the RAP in relation to Recommendation 9.

The Program also took steps to address concerns over change fatigue and tone from the middle during the Reporting Period. Program communications and interventions served to mitigate the risk in these two areas. The Program will need to continue to remain vigilant to ensure that this is sustained beyond the RAP.

While the Program has achieved much to date, work still remains on some of the most important outcomes of the Program. The Program's focus continued to be on ensuring that the work for the outstanding Milestones and Recommendations was completed at a level of quality that will ensure the intended outcomes of the RAP are achieved. Through our attendance as observers at governance forums it was clear that a sharper focus was being applied to ensuring quality and sustainability. Given the stage of the Program, and that the remaining Recommendations are where the core challenges faced by the Program are most concentrated, this focus will be necessary to achieve the outcomes envisaged in the RAP.

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

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

During the Reporting Period the Program continued to develop its preparation for the Transition Period (**Transition Period**), with the scope and approach of work to be completed during the Transition Period provisionally endorsed by the ELT in March 2021. The plan to deliver the objectives for the Transition Period (**Transition Period Plan**) currently contains six 'focus areas' that were either previously in the scope of the RAP or reinforce the outcomes of the RAP. The Transition Period Plan will operate in parallel with a longer-term monitoring program over the sustainability of RAP outcomes that will be conducted by the Group Chief Controls Officer (**CCO**).

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.

- Based on a review of Closure Packs, other documents and interviews with key stakeholders, Promontory had assessed a total of 66 Implement Milestones as complete and effective[5] (four of which were assessed during the Reporting Period).

- We had not completed our assessment of two Implement Milestones.

The Program has completed work on all but three of the 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 48 Embed Milestones (five 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 36 Embed Milestones as complete and effective (17 of which were assessed during 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.

- We had not completed our assessment of 12 Embed Milestones (one of which was delivered at the end of the Reporting Period).

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	0	0	20	**20**
Management Governance	0	0	0	0	19	**19**
Operating Model (3LoA)	0	0	0	2	9	**11**
Risk Appetite, Taxonomy and Standards	0	1	0	2	17	**20**
Accountability and Controls Delivery	0	0	0	2	11	**13**
Customer Outcomes	0	0	1	1	14	**16**
Culture, Capability and Consequences	0	0	0	5	45	**50**
Program Execution	0	2	0	1	25	**28**
TOTAL	**0**	**3**	**1**	**13**	**160**	**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 (no Recommendation Closure Packs were received during the Reporting Period).

- Based on a review of Closure Packs, other documents and interviews with key stakeholders, Promontory had assessed 14 Recommendations as closed (five of which were assessed during the Reporting Period).

- We had not completed our assessment of Closure Packs in relation to 25 Recommendations.

Risks and Challenges

During the Reporting Period the Program made good progress in mitigating the risks associated with many of the challenges noted in our Previous Reports, in particular risks associated with change fatigue and tone from the middle. However, the Program must continue to retain its chronic unease in relation to these risks to ensure continued progress. A failure by the Program to maintain its intensity in the next Reporting Period could jeopardise not only the completeness of the final RAP delivery but also the sustainability of the progress made to date. With respect to tone from the middle, the Program must ensure that all levels of the organisation are on-board to deliver the final Recommendations of the RAP and the uplifts required during the Transition Period. The Program should continue to revisit the failings that led to the RAP as a way of providing context to the work being completed by staff.

As the Program approaches the Transition Period we expect that there may be a temptation to move some of the most challenging elements of the remaining Recommendations into the Transition Period. We encourage the Program to continue to resist this temptation and ensure that all the intended outcomes of the RAP are delivered within the RAP at a high level of quality.

Finally, as the Program begins the Transition Period and greater responsibility is placed on the BU/SUs for scheduling and delivering change, it is likely to experience new challenges. It is vital that the Program continues to exercise the same delivery discipline it did during the RAP, despite the more decentralised governance structure that will be implemented during the Transition Period.

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 Eleventh Report. It covers the period 1 January 2021 to 31 March 2021 (the **Reporting Period**). The status of Milestones and other Program developments are reported as at 31 March 2021 (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]
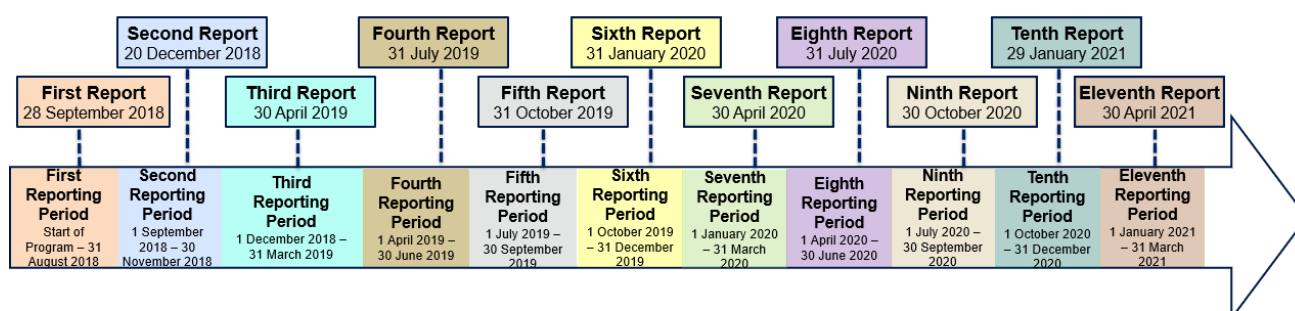
Further details about the background to our engagement are set out in Chapter 1 of the First Report.

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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 Unit and Support Unit (**BU/SU**) CCOs and other staff across CBA.

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

As initially designed, the RAP contemplated 154 Milestones. 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.

A change to the Execution Leads for one Milestone was made during the Reporting Period. Promontory endorsed this change as reasonable. Further information on this change is set out in section 2.1.

The number of Milestones 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 Due 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 Closures due for delivery to Promontory by the Reporting Date for relevant reports is set out by Theme in Table 1.2 below.

Table 1.2: Number of Recommendation Closure Packs Due 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:

- Two meetings of the monthly RAP Governance Forum.

- Two 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 CCOs of Program Delivery (**PD**), Human Resources (**HR**), Business Banking (**BB**), BankWest (**BW**), Enterprise Services (**ES**), Financial Services (**FS**), Retail Banking Services (**RBS**), Office of the Deputy Chief Executive Officer (**ODCEO**), Legal and Group Governance (**L&GG**), Risk Management (**RM**), Institutional Banking and Markets (**IB&M**) and Marketing and Corporate Affairs (**MCA**).

- Interviews with the BU/SU Chief Risk Officers (**CROs**) of PD, HR, BB, BW, ES, FS, RBS, ODCEO, L&GG, RM, IB&M and MCA.

- The Non-Financial Risk Committee (**NFRCs**) of PD, HR, BB, BW, ES, FS, RBS, ODCEO, L&GG, RM, IB&M and MCA BU/SUs as observers.

- The RBS Risk Committee.

We also participated in the following:

- 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 Tenth Report. This was the ninth such session in which we have participated.

- An additional session with members of the ELT to discuss the content of our Tenth Report.

- A session with the Chief Executive Officer (**CEO**) to discuss CBA's progress in closing the Recommendations of the RAP and the approach to the Transition Period.

- Two sessions with representatives from ES and BB to discuss Risk in Change (**RiC**) within their BU/SUs.

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

- Three 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 issues management and data quality for business profiles within RiskInSite (**RiS**).

- Two 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 audits on the 3LoA operating model and Line 2 Assurance.

- Walkthroughs of the Process View of Risk Dashboard, Data Quality Health Dashboard, Annual Review Albums, Performance and Reward Sidekick Hubs, FY21 Foundational Dashboard and the new RiS user interface.

- An interview with the RBS CRO to discuss the constructive challenge of FY20 risk and remuneration outcomes for RBS.

- A session with the Central RAP Team and the Group CCO on the Transition Period.

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

- Walkthroughs with RBS, BB, IB&M, BW, ES and Group Line 2 to understand how the end-to-end process of workforce management is conducted to ensure sufficient capacity and capability.

- An interview with the Chair of the People and Remuneration Committee (**PRC**) to discuss the Group FY20 risk and remuneration outcomes.

- A meeting with the EGM Strategic Delivery to discuss the progress of CBA's divestments.

- A session with the Central RAP Team and the Group CCO on the 3LoA operating model.

- An interview with the Chair of the Board Risk and Compliance Committee (**BRCC**) to discuss the progress made on NFR reporting to the Board and its Committees.

- A session with the Central RAP Team in which the key risks to successfully sustaining and embedding the RAP were discussed.

- An interview with the CEO, Group CRO, GE PD, and EGM Performance and Reward to discuss CBA's application of collective accountability.

- 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 two tripartite meetings with CBA and APRA representatives during the Reporting Period.

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 discussions 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 12 of the 21 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 14 weeks to assess a Milestone as complete and effective after a Closure Pack has been 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 remaining Milestones and Recommendations are scheduled to be delivered in the next Reporting Period, the Program continued to develop the Transition Period Plan. The Program will continue to work through the Transition Period Plan in the next Reporting Period, including the role of Executive Leaders and governance forums.

During the Reporting Period the Program also took action to address the risks and challenges highlighted in our Tenth Report. Executive Leaders introduced interventions to address the risk of change fatigue and to ensure that the tone from the middle was aligned with the tone from the top within their BU/SUs. The importance of data quality continued to be emphasised, with the processes and systems previously discussed in our Tenth Report continuing to be implemented during this Reporting Period.

While significant progress has been made in executing the RAP, 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, GA&A's audit of Line 2 Assurance was finalised. CBA has a number of pieces of work to complete in a relatively short timeframe to demonstrate that the findings of the audit have been addressed and that Line 2 Assurance has reached a level of maturity that can be sustained, in order to realise the intended outcomes of the RAP in relation to Recommendation 12d.

In balancing its focus on the transition to business-as-usual (**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. Given the stage of the Program, it is important that change fatigue continues to be monitored to ensure that a renewed push is delivered for those remaining Recommendations which are likely to be the most difficult to achieve. Efforts by the Program and interventions by Executive Leaders will continue to be required to magnify the tone from the middle which is key to ensuring the sustainability of the outcomes of the RAP.

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.

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 five Milestones:

- The Closure Packs for four Embed Milestones were submitted in February 2021.

- The Closure Pack for one Embed Milestone was submitted in March 2021.

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 three remaining Embed Milestones.

During the Reporting Period Promontory assessed 21 Milestones (four Implement Milestones and 17 Embed Milestones) as complete and effective. The Closure Packs for these Milestones were submitted in the Eighth, Ninth and Tenth Reporting Periods.

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

- five were Culture, Capability and Consequences Theme Milestones (Milestones 24b.3, 27.3, 28.3, 29.3 and 30.3)[9];

- four were Program Execution Theme Milestones (Milestones 11.4, 31.3, 32.3 and 34.3)[10];

- four were Risk Appetite, Taxonomy and Standards Theme Milestones (Milestones 12a.7, 12b.2b, 12c.3 and 12d.2c)[11];

- three were Accountability and Controls Delivery Theme Milestones (Milestones 12e.3c, 12f.3 and 16.3)[12];

- three were Board Governance Theme Milestones (Milestones 2.4, 3.5 and 5.3)[13]; and

- two were Customer Outcomes Theme Milestones (Milestones 15.4a and 18.3)[14].

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, 159 Milestones (57 Design Milestones, 66 Implement Milestones and 36 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).

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[9] See discussion in section 9.2 below.

[10] See discussion in section 10.2 below.

[11] See discussion in section 6.2 below.

[12] See discussion in section 7.2 below.

[13] See discussion in section 3.2 below.

[14] See discussion in section 8.2 below.

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

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 109 Milestones (12 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 13 Milestones (two Implement Milestones and 11 Embed Milestones). We had not yet begun assessing one Embed Milestone delivered to us in March 2021.

The information above is summarised in Figure 2.1.

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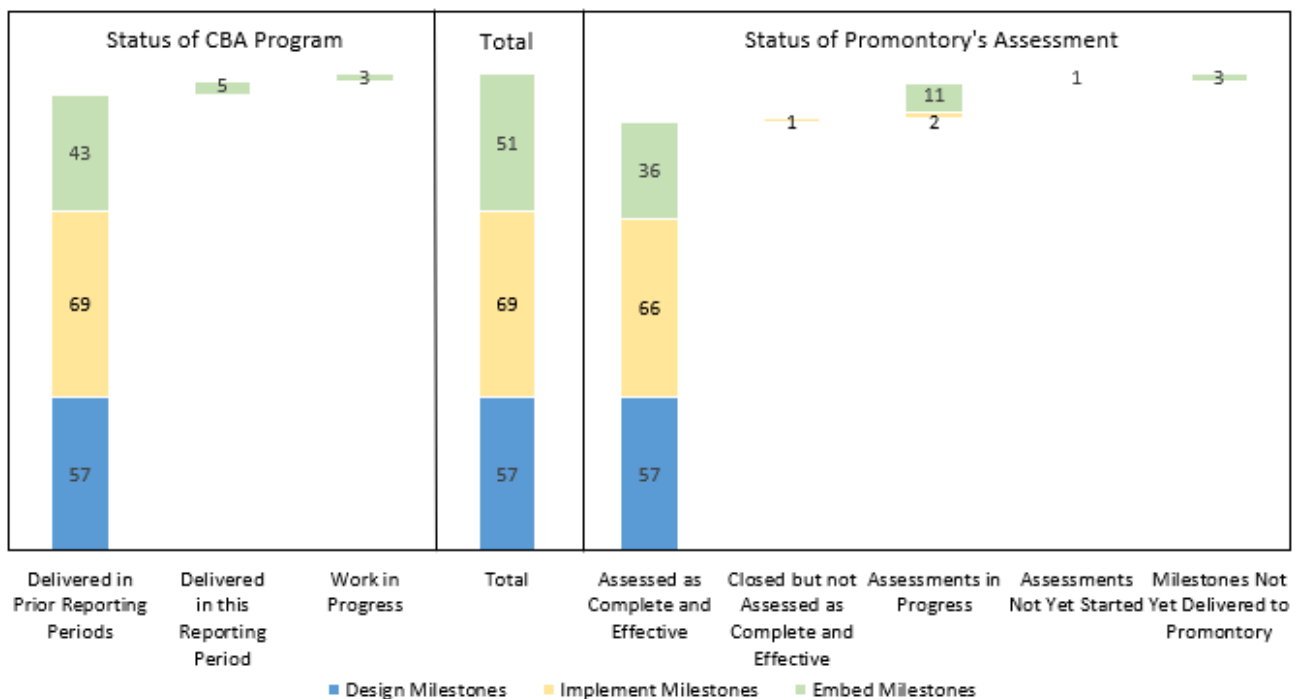
As discussed in section 1.2, while the *Inquiry Report* made 35 Recommendations, the RAP splits some of these into multiple parts, resulting in 45 Recommendations in total. The status of the 45 Recommendations that make up the RAP is discussed below.

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 no Recommendation Closure Packs were submitted to Promontory.

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 five Recommendations as closed. The Closure Packs for these Recommendations were submitted in the Ninth and Tenth Reporting Periods.

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

- two were Culture, Capability and Consequences Theme Recommendations (Recommendations 25a and 25c)[15];

- two were Program Execution Theme Recommendations (Recommendations 31 and 32)[16]; and

- one was a Risk Appetite, Taxonomy and Standards Theme Recommendation (Recommendation 12c)[17].

As at the Reporting Date, in total, 14 Recommendations had been assessed as closed.

During the Reporting Period we endorsed one request to change aspects of the RAP[18]. This request related to the removal and addition of Execution Leads[19]. The request resulted in changes to the Execution Leads for Embed Milestone 9.5a.

2.2. Key Program Developments

During the Reporting Period CBA:

- Reinforced the outcomes of the RAP, such as further embedding the 'should we' test, and deployed new communication channels to help address tone from the middle and change fatigue.

- Finalised the Line 2 Assurance audit and continued to address the findings of the 3LoA audit. CBA also continued to embed their 3LoA operating model.

- Continued to make significant progress in addressing data quality through the implementation of the Data Quality Health Dashboard in BU/SU NFRCs, although a significant amount of work remains to be completed before a comprehensive and sustained improvement in data quality is realised.

- Developed the Transition Period Plan. The scope and approach of work to be completed during the Transition Period was provisionally endorsed by the ELT in March 2021. The Transition Period Plan currently contains six 'focus areas' that were either previously in the scope of the RAP or reinforce the

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[15] See discussion in section 9.3 below.

[16] See discussion in section 10.3 below.

[17] See discussion in section 6.3 below.

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

[19] The Change Request we received was made in relation to Milestones 9.5a.

outcomes of the RAP. The Transition Period Plan will operate in parallel with a longer-term monitoring program over the sustainability of RAP outcomes that will be conducted by the Group CCO.

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 one update in relation to the Program during the Reporting Period. This update included information in relation to Program progress and status, key RAP focus areas and a deep-dive into the progress made by L&GG in embedding and sustaining the outcomes of the RAP focus area 'achieving better customer and risk outcomes'.

The ELT received two updates in relation to the Program during the Reporting Period. These updates included information in relation to Program progress and status, and actions required in response to the challenges highlighted in our Tenth Report. The ELT also received a paper outlining the scope and approach of the Transition Period.

We continued to observe a strong commitment among Executive Leaders to achieving the intended outcomes of the RAP. During the Reporting Period we observed through our engagements with Executive Leaders, both in scheduled engagement sessions and from attendance at BU/SU NFRCs, a strong focus on addressing the challenges outlined in our Tenth Report, such as tone from the middle, Line 1 ownership of risk and strengthening the "should we" test. For example:

- Through our regular engagements with BU/SUs, Executive Leaders outlined a number of interventions they had implemented to address tone from the middle. These interventions included expanding participation at NFRCs to less senior staff and actions to reinforce the motivations underlying the RAP to middle management.

- We observed Executive Leaders, both at BU/SU NFRCs and in our engagement sessions, reinforcing the importance of Line 1 ownership of risk within CBA's 3LoA operating model.

- The 'should we' test was highlighted at BU/SU level. For example, BB has created a 'should we' committee to ensure that ongoing consideration of the 'should we' test is embedded in the BU.

- Members of the ELT continued to issue communications that focused on the importance of sustaining the outcomes of the RAP, such as the importance of the 'should we' test in CBA's decision-making processes and the need to continually improve data quality within RiS.

Collectively, these interventions lend support to the view that Executive Leaders are transitioning away from a change management role and into a BAU management role in relation to embedding RAP outcomes.

During the Reporting Period Executive Leaders also developed their thinking on the Transition Period. This is discussed further in section 2.2.6.

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. The forum continued to allocate time for detailed discussion of Program focus areas, including 3LoA and the implementation of minimum standards. The forum also allocated time for BU/SUs to share how the RAP was delivering better customer and risk outcomes. For example, during the Reporting Period we observed discussion by BUs at this forum about how the 'should we' test had led to better customer outcomes.

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 and facilitating dynamic collaboration among stakeholders responsible for delivery of the RAP.

As the Program continued through Embed Milestone and Recommendation Closures the RAP Governance Forum was used to draw key links between Recommendations during the Reporting Period. We also observed strong challenge across Recommendation Themes to ensure that Theme statuses were being appropriately assigned. The RAP Governance Forum continued to include a 'spotlight' agenda item. These sessions are led by relevant Recommendation Execution Leads and provide attendees with an opportunity for detailed consideration of how the relevant Recommendation's Target State outcomes are being embedded and sustained. During the Reporting Period spotlight sessions were assigned to Recommendation 12d, following completion of the Line 2 Assurance audit during the Reporting Period. The spotlight sessions discussed insights from the audit and the implications of its findings for the closure of Recommendation 12d.

During the Reporting Period the Planning and Dependencies Management Forum continued to operate effectively. The Program has continued to use the forum to maintain a detailed forward view of the remaining work that is to be delivered. In February 2021, the forum introduced an additional section in the pre-read papers showing engagements still to come. This section is intended the serve as a reminder of the volume of work that remains to close the remaining Milestones and Recommendations.

At all forums during the Reporting Period we observed quality being emphasised over timeliness, with strong challenge on this being provided by forum participants at a more granular level than we had previously observed. This is expected at this stage of the Program, with the remaining Milestones and Recommendations likely to be where the core challenges faced by the Program are most concentrated. Robust challenge will continue to be required at these forums to ensure that the outcomes of the RAP are embedded and sustained.

As noted in our Tenth Report, CBA continues to consider whether and how Program governance forums should operate as the Program transitions to BAU. During the Transition Period governance forums should continue to provide a mechanism for sharing better practice, tracking progress, driving consistency and providing challenge as required.

2.2.3. Program Delivery

During the Reporting Period we observed that:

- greater emphasis was placed on ensuring that quality was prioritised over timeliness; and

- the Program made progress on addressing the findings of the 3LoA audit to ensure that BU/SUs were adequately embedding the 3LoA operating model.

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 implementation across the Program, and that outcomes are delivered on a sustainable basis.

As noted above, during the Reporting Period we observed a sharper focus by the Program on ensuring that quality was prioritised over timeliness, with discussions at governance forums and the Weekly Cross-Stream Scrum challenging the Program on this topic. A good example of this focus was with respect to Recommendation 12d, where the decision was taken to bring forward the delivery of the Embed Milestone to allow more time before the Recommendation Closure to clearly demonstrate the actions taken between Embed and Recommendation Closure. This should result in a higher quality Recommendation Closure Pack.

We observed an appropriate level of quality in the documents reviewed during the Reporting Period. Given the stage of the Program, and that the remaining Recommendations are among the most challenging, CBA will need to continue to provide Closure Packs and assessment responses of a high quality if it is to demonstrate that the desired outcomes of the Program have been achieved.

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 (**AHL**) are consistent with the intent of the RAP.

As noted in our Tenth Report, CBA continues to conduct consistency reviews in relation to specific Recommendations. For example, during the Reporting Period a consistency review was undertaken across the prioritised Conduct risk profiles of BU/SUs. The objective of this was to ensure that Risk and Controls Self-Assessment (**RCSA**) activities had been completed in line with relevant guidance. Additionally, CBA conducted a review of selected BU/SU Risk Management Action Plans (**RMAPs**) to identify areas of inconsistency. This review 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.

To support greater consistency across BU/SUs in achieving the intended outcomes of the RAP, the BU/SU CCOs have tabled RAP outcomes at the CCO Leadership Team (**CCO LT**). The CCO LT has discussed these RAP outcomes, considering areas of best practice and potential areas of inconsistency that need to be further addressed to achieve the intended RAP outcomes.

During the Reporting Period the Group CCO piloted an approach to monitoring the sustainability of RAP outcomes. The pilot focused on the outcomes of Recommendation 20 and will be scaled to cover all appropriate Recommendations during the Transition Period. As part of the approach, the Group CCO engaged with framework owners who are responsible for the Change Investment Process (**CIP**) and BU/SU stakeholders who are users of the CIP to better understand which sustainability practices have worked well to date and areas for

improvement. Further information on the role of the Group CCO in monitoring sustainability during the Transition Period is provided in section 2.2.6 below.

3LoA

During the Reporting Period the Program continued to address the findings of the 3LoA audit that was finalised by GA&A in the prior Reporting Period. The following actions were taken during the Reporting Period:

- The two remaining Operational Risk and Compliance (**OR&C**) activities to be transferred to ES Line 1 (conflicts of interest and group mandatory learning) were fully transitioned to Line 1. ES Line 2 will monitor and provide guidance for the first reporting cycle of these activities to ensure that the execution of these activities by Line 1 is properly aligned with the execution previously carried out by Line 2. The transition of these activities was supported by the on-boarding of additional resourcing in ES.

- The Central RAP Team developed 3LoA minimum standards to address the sustainability of BU/SU Line 1 and Line 2 OR&C activities. These minimum standards provide guidance to BU/SUs on assessing the ongoing sustainability of their OR&C activities and the expected documentation to evidence completion of OR&C activities by Line 1. This guidance was distributed to BU/SU CCOs in March 2021.

- The ELT endorsed the role and mandate of Risk Stewards, and the approach to appointing Risk Stewards for the remaining NFR types. The role of Risk Stewards will be strategic, rather than operational, and has been designed to augment Line 2's 'approve and accept' mandate.

- The HR CCO developed a RCSA Standard Operating Procedure to provide guidance to HR Line 1 on how to evidence its ownership of OR&C activities in accordance with the 3LoA principles. The Procedure was distributed in March 2021.

To ensure that BU/SUs have the capacity and capability required to deliver the 3LoA requirements set out in Recommendation 9, each BU/SU will complete a 3LoA self-assessment. The self-assessment will provide a view on the progress BU/SUs have made towards aligning OR&C activities with their target operating models. These self-assessments will be signed off by BU/SU CCOs and CROs. The Group CCO will report to the ELT on the status of the self-assessments, with the next reporting cycle scheduled for May 2021.

Drop Process

During the Reporting Period the Program was engaged in activities across several Drops. In particular:

- Evidence was collected following the Improving RCSA for Conduct, which was a Drop 10 activity. The focus of Drop 10 was described as 'Enhancing our Risk and Control Environment'. Drop 10 activities included further Improving RCSA for Conduct activities, and the rollout of the Control Assessment Program (**CAP**) Standard and Procedure.

- Drop 11 was implemented. As noted in our Tenth Report, Drop 10 contained the final RAP-related items being delivered via the Drop Process. Thus, Drop 11 contained broader NFR activities beyond the RAP. The focus of Drop 11 was described as 'Protecting what matters'. Activities under Drop 11 included Improving RCSA for Data Management.

- Preparation was underway for Drop 12, to be launched in the next Reporting Period. The focus of Drop 12 is described as 'Building on our Risk Foundations'. Activities under Drop 12 will include the rollout of the revised Issue Management Standard and Procedure.

- A preliminary view on future Drops was developed, with initial consideration given to Transition Period activities.

The Drop Process continued to be enhanced during the Reporting Period. Examples of enhancements included the following:

- The immersion session for Drop 12 was held in March 2021, later than in previous Drops, to ensure that BU/SUs were appropriately placed to absorb the content following the end-of-year shutdown. As noted in our Tenth Report, planning for Drop 12 was put on hold at the end of last year, given the need to consider the body of work required to ensure that improvements made to date are fully embedded across CBA. As a result, during the Reporting Period, preparation activities were expedited for Drop 12, with BU/SUs receiving key information through engagement forums.

- An online check-in was developed to monitor BU/SU progress for implementing the Improving RCSA for Data Management. The check-in contained a mandatory questionnaire for BU/SUs that provided a view on their progress against the required activities for the Improving RCSA. The responses were then tabled and validated by the CCO LT.

- Following positive feedback from the use of video, a mid-Drop video was also incorporated into Drop 11 to provide an update on the implementation of the Drop. This content was included in the fortnightly Drop email.

- Evolving how the scope of future Drop items are displayed and the monitoring of progress by production teams.

As noted in Previous Reports the Drop Process has been a highly effective mechanism for delivering change into the BU/SUs. 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. Work is now underway to enhance the scope of the Drop Process by considering NFR-related, enterprise-wide changes more broadly. The approach will be developed over the next Reporting Period.

2.2.4. Program Management

During the Reporting Period:

- the Central RAP Team developed the Transition Period Plan;

- communication about the Program was delivered at a high level of quality, with continued focus on tone from the middle and reinforcing outcomes of the RAP; and

- the importance of data quality continued to be emphasised and there was consideration of how the reporting developed in prior Reporting Periods could be embedded.

Central RAP Team

During the Reporting Period the Central RAP Team formally developed a plan for the Transition Period. Further detail on the Transition Period Plan is discussed in section 2.2.6.

The Program had an 'Amber' status throughout the Reporting Period. The 'Amber' status was primarily due to the delivery status across the following themes:

- Operating Model (3LoA);

- Risk Appetite, Taxonomy and Standards;

- Accountability and Controls Delivery; and

- Culture, Capability and Consequences.

Some of the actions required for the Program to return to 'Green' are ensuring the Group can sustainably embed:

- the 3LoA operating model following the 3LoA audit performed by GA&A;

- Wave 1 and 2 OR&C minimum standards across the Group; and

- Line 2 Assurance activities.

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. The Central RAP Team also continued to play a key role in performing quality assurance reviews over Closure Packs, with a particular focus during this Reporting Period on ensuring consistency across Closure Packs and Sustainability Plans between related Recommendations (e.g., Recommendations 9 and 13).

Communications

During the Reporting Period communication about the Program continued to meet the high level of quality and frequency described in our Previous Reports.

As the Program continued to progress through Embed Milestones and Recommendation Closures, communications focused on maintaining momentum to ensure that the outcomes of the RAP will be fully embedded and sustained.

Consistent with the communications in the prior Reporting Period, acknowledgement of progress was tempered by recognition of the considerable amount of work that remains to embed and sustain the outcomes of the RAP. This messaging was reinforced in the announcement made to the Australian Stock Exchange following the publication of the Ninth and Tenth Reports.

As noted in Previous Reports, Executive Leaders continued during the Reporting Period to directly communicate with staff regarding the importance of the Program. We observed communications from several Executive Leaders underscoring the outcomes achieved by the RAP, such as the embedment of the 'should we' test in CBA's decision-making processes and the uplift of data quality within RiS.

During the Reporting Period CBA introduced Commbank Live as a new communications method. CommBank Live is a fortnightly video series hosted by the CEO that has been designed for CBA leaders to set the tone from the top and win the 'hearts and minds' of staff. The Commbank Live webcasts focus on CBA's customers,

strategy and culture. The webcasts provide an opportunity to reflect on successes and failures, and highlight desired cultural behaviours. Staff have the opportunity to submit questions, thereby promoting a two-way dialogue. This initiative should encourage a more consistent tone from the middle by providing a resource to assist middle management in developing communications with their own teams.

During the Reporting Period CBA launched its refreshed Group strategy. One of the priorities of this strategy 'Simpler, better foundations', was a consistent theme in Executive Leaders' communications during the Reporting Period. For example, we observed a communication from the CEO which linked the outcomes of the RAP, such as embedding the 'should we' test, to the priority of building the simpler, better foundations of the organisation. We understand that in future Reporting Periods communications will continue to connect the dots between outcomes of both the RAP and the Transition Period with this refreshed strategy.

The 'Risk Cuppa' video series continued during the Reporting Period. As noted in our Tenth Report this is an important communication piece for strengthening the tone from the middle, in that it features NFR-related stories from staff at all levels within the Group. During the Reporting Period the series discussed the importance of cross-team collaboration and communication in improving NFR outcomes.

The Program continued during the Reporting Period to emphasise the importance of the 'should we' test in communications, through both formal email communications with staff and in webcasts. The communications observed that the 'should we' test was now deeply embedded in CBA's decision-making processes, with Executive Leaders noting examples where applying the 'should we' test had resulted in better outcomes for customers.

Monitoring and Addressing Resourcing Needs

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

- resources required in SUs for the production of RAP deliverables;

- resources required in BU/SUs for the consumption of RAP deliverables; and

- resources required to achieve the 3LoA Target State.

BU/SUs continued to provide resource forecasts for the delivery of each upcoming Drop. These forecasts continued to be approved by BU/SU CROs and signed off by the relevant GEs. The Central RAP Team also continued to consider the accuracy of individual BU/SU resourcing estimates and challenged BU/SUs at governance forums to consider whether they had sufficient resources to deliver on the RAP.

During the Reporting Period all BU/SUs indicated that they had adequate resourcing to deliver the necessary RAP outcomes.

Given the Transition Period and the shift to BAU the Program will need to continue to consider the resourcing levels required to deliver the Transition Period outcomes, particularly in light of the tension for OR&C resourcing that may arise from other non-BAU NFR uplift activities progressing across the Group.

Systems, Data, and Reporting

As we noted in the Tenth Report, the Program had made significant progress in developing the processes and systems required to uplift data quality. During the Reporting Period the Program continued to make significant progress on data quality, with uplifts noted in previous Reporting Periods continuing to being implemented.

In our engagements with BU/SUs during the Reporting Period data quality was front of mind and the need to uplift data quality was consistently reinforced at NFRCs and in Executive Leader communications. Feedback from our BU/SU engagements reinforced that the new RiS user interface and the Data Quality Health Dashboard have helped to highlight data quality issues.

Data quality continues to receive attention at the highest levels of the organisation. Executive Leaders understand their roles in highlighting issues with data quality at NFRCs and, in some cases, are requiring that data be shown live from the relevant Dashboard. Communications from Executive Leaders underscored the importance of data quality and how it can lead to better risk outcomes. During the Reporting Period the Data Quality Health Dashboard was presented to the ELT NFRC by the Group CCO and we understand that BU/SU NFRCs will discuss the Dashboard bi-monthly from April 2021.

Although considerable progress has been achieved to date in improving data quality, there is acknowledgement within CBA that it will take time to fully uplift data quality and that this is unlikely to be a linear process. Data quality is one of the 'focus areas' of the Transition Period and we will continue to assess data quality in the RAP as well as 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 operating model described in our Ninth Report. In particular, Line 2 continued to employ a guidance-based model when undertaking assurance over Drop items.

We have continued 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 also met regularly with GA&A to share observations on Program progress.

During the Reporting Period GA&A finalised its report on Line 2 Assurance, as required under Milestone 12d.3. The overall rating of the audit was 'Amber'. This rating was driven largely by the fact that, while the annual assurance planning process and the quality of assurance engagement files had improved, there was still a need for the Group to further uplift Line 2 Assurance capability and to fully embed the Line 2 Assurance Standard. Key findings included:

- BU/SU Line 2 teams were unable to justify why they had prioritised certain assurance activities over others for inclusion into the Group Plan or rationalise the capacity they had utilised.

- The applicability of the Line 2 Assurance Standard and Procedure to reviews outside the Group Plan is unclear.

- Line 2 Assurance reviews did not satisfy some elements of the Line 2 Assurance Standard and Procedure requirements.

- Only 28% of Line 2 Assurance's capacity was devoted to the execution of the Group Plan, although BU/SUs also performed bespoke assurance activities in addition to the Group Plan.

RM has developed a management action plan to address the issues identified by the Line 2 Assurance audit.

2.2.6. Transition Period

As noted in section 2.2.4, during the Reporting Period the Central RAP team developed the Transition Period Plan. The scope and approach of the Transition Period was provisionally endorsed by the ELT in March 2021. That endorsement was subject to BU/SUs developing detailed implementation plans by May 2021. The Transition Period scope and approach will be presented to the Board in April 2021 for endorsement.

The Transition Period will commence beyond the conclusion of the RAP. The Transition Period Plan currently contains six 'focus areas'; these include areas that were previously within the scope of the RAP or that reinforce the outcomes of the RAP. Focus areas include the 3LoA operating model and Improving RCSA for the remaining Level 1 risk types.

To reinforce the transition from a centrally-managed Program to BAU mechanisms, BU/SUs will have greater flexibility in sequencing and timing to deliver scope over the implementation of elements of the Transition Period Plan, including the order in which they prioritise the Improving RCSA activities. The enhancements to the Drop Process developed during the Reporting Period should support improved monitoring of BU/SU progress in the context of the greater flexibility granted to BU/SUs.

As noted in our Tenth Report the Group CCO will monitor the sustainability of RAP outcomes during the Transition Period to confirm that Recommendation Target States continue to be achieved. Under the Group CCO's monitoring approach, any changes needed to support sustainability practices in the transition to BAU will be shared with framework owners and relevant governance forums to ensure appropriate action is taken. As noted in our Tenth Report the Group CCO's monitoring approach will be risk-based and will supplement Line 2 and Line 3 activities.

During the Reporting Period Executive Leaders also developed their thinking about the Transition Period, including:

- the evolution of roles and responsibilities from the RAP to the Transition Period as well as into BAU, including consideration of increased BU/SU accountability and ownership of activities;

- the approach to delivery and governance during the Transition Period;

- conducting deep dives into Transition Period Plan focus areas; and

- program delivery risks and dependencies.

As planning for the Transition Period continues to progress, the Program will need to give more thought to the roles of Executive Leaders during the Transition Period.

2.3.   Ongoing Challenges and the Road Ahead

During the Reporting Period the Program continued to balance the development of the Transition Period Plan with the need to ensure that all the intended outcomes of the RAP are achieved through the remaining Embed Milestone and Recommendation Closures.

As set out above, CBA made significant progress during the Reporting Period in developing its plan for the Transition Period. The Transition Period Plan details the material enhancements to be delivered across the Transition Period's focus areas where key outcomes delivered to date, such as establishing end-to-end ownership of risk, are likely to still require significant work beyond the RAP. The Transition Period should further

strengthen the long-term impact of the RAP through monitoring by the Group CCO of the sustainability of RAP outcomes.

As noted in our Previous Report, while the Program needs to finalise and start executing the Transition Period Plan, the priority must stay firmly focused on the remaining Recommendations of the RAP. The Program must ensure that the outcomes required under the RAP are delivered in these final months and must resist any temptation to shift RAP outcomes to the Transition Period. Promontory will remain vigilant to ensure all the intended outcomes of the RAP are delivered within the RAP.

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 risks associated with change fatigue were highlighted in our Tenth Report. While an understandable level of fatigue was evident towards the end of 2020, the pressure appears to have been alleviated to some extent by the end-of-year shutdown and opportunity for many to 'recharge their batteries'.

The risk of fatigue is nonetheless still real as the Program enters its final stages. In particular, the desire to move operations into BAU mode and the temptation to shift 'unfinished business' into the Transition Period could serve to reduce the imperative to deliver the RAP in full and at quality. This pressure is likely to be more evident in areas where the challenges are the greatest.

With these pressures in mind the Program will need to continue to retain its 'chronic unease' regarding change fatigue to ensure that the renewed push evident since the start of 2021 is maintained to deliver the final and most challenging Recommendations of the RAP.

Tone from the Middle

In our Tenth Report we highlighted concerns about tone from the middle based on our observation that messages in relation to risk culture and risk management may not necessarily have penetrated all levels of the organisation. We noted that further emphasis would be required in the current Reporting Period to ensure that the tone from the middle is fully aligned with the tone from the top.

During the Reporting Period we observed a number of positive initiatives in relation to strengthening the tone from the middle. Group-level communications focused on the RAP narrative and discussed the practical outcomes of the Program, such as the embedment of the 'should we' test, which we view as an important input into crafting an authentic and engaging tone from the middle. As noted above, the Program also introduced new communications platforms such as Commbank Live to reach a wider range of staff.

Articulating the tone from the top to all levels of the Bank is not something that can be fixed quickly. It will require sustained and consistent messaging and ongoing testing through the Bank's survey tools. We encourage the Program to continue engaging with the middle levels of the organisation and making sure that they both understand the reasons behind the Program and align their thinking with its objectives. The Program will need to continue monitoring the tone from the middle and taking proactive interventions where required to ensure the outcomes of the RAP are embedded and sustained at all levels of the organisation.

Voice of Compliance

As noted in our Eighth Report, the 'voices' of operational risk and compliance have been elevated as a result of the Program. In particular, these 'voices' have been elevated from the CBA described in the *Inquiry Report.* However, it is our observation that the voices of operational risk and compliance have not been elevated equally. In some NFRCs and other forums there is often, although not always, a noticeable disparity in the amount of discussion time devoted to operational risk matters as opposed to compliance matters. This disparity may indicate a greater level of maturity of the operational risk function relative to that of the compliance function. It will be important that an appropriate balance between these two is established and maintained over time.

Transition Period

As noted above, the ELT has provided provisional endorsement for the scope and approach of the Transition Period. While elements of the Transition Period Plan, such as resourcing, will continue to be further developed as the Transition Period draws closer, the core components of the Transition Period Plan, as set out above, are now established.

The following are some of the key challenges we believe are likely to be faced by CBA during the Transition Period:

- Transition Period timelines. The current Transition Period Plan contains an ambitious volume of work. In certain focus areas of the Transition Period Plan, such as Improving RCSA for the remaining Level 1 risk types, the amount of work and the timeframe for its delivery are significantly more challenging than what was delivered under the RAP. The Program will need to monitor timelines for the Transition Period Plan and ensure that they remain appropriate.

- Managing outcomes under a more decentralised governance structure. A feature of the RAP has been strong leadership from the Central RAP Team. The Transition Period Plan increases the responsibility of BU/SUs, especially in terms of prioritising implementation of the various Transition Period Plan components. While this makes good sense in transitioning from a central remediation program to BAU mechanisms, it will greatly complicate the task of monitoring the quality and consistency of implementation.

- Maintaining a strong connection between the activities in the Transition Period Plan and the root causes of the failings that lead to the RAP. As the final Recommendations of the RAP are delivered and the Program progresses into the Transition Period there is a risk that the focus on failings that led to the RAP will diminish within some parts of CBA. It will be important for CBA to continue to link the outcomes of the Transition Period Plan and future NFR improvements to the RAP to provide a clear purpose for the actions being taken.

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 continue to consider how the roles of Executive Leaders might evolve during the transition to BAU.
Effective Project Management and Governance Disciplines	(i)	The Program should continue to consider which Program governance forums should be retained during the Transition Period and which are no longer necessary.
	(ii)	The Program should ensure that during the Transition Period governance forums continue to provide a mechanism for sharing better practice, tracking progress, driving consistency and providing challenge as required.
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 ensure that staff at all levels of the organisation are given visibility in echoing the tone from the top.
	(ii)	The Program should continue to 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 continue to 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 continue to work to ensure that the speed and complexity of change is manageable.
	(iii)	CCOs should continue to work with the Central RAP Team to refresh previously identified measures to combat change fatigue.
	(iv)	The Program should retain its 'chronic unease' regarding change fatigue to ensure that a renewed push is maintained to deliver the final and most challenging Recommendations of the RAP.
Voice of Compliance	(i)	The Program should work to ensure that an appropriate balance between operational risk and compliance discussion is established and maintained.
Transition Period	(i)	The Program should remain cognisant of the ambitious timelines for the Transition Period Plan and continually re-assess that they remain appropriate.
	(ii)	The Program should continue to consider how best to ensure that delivery discipline is maintained in the Transition Period.
	(iii)	The Program should consider the resourcing levels required to deliver the Transition Period Plan outcomes, particularly in light of the tension for OR&C resourcing that may arise from other initiatives.
	(iv)	The Program should maintain a strong connection between the activities in the Transition Period Plan and the root causes of the failings that led to the RAP.

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

3.1. Status of Board Governance Theme

3.1.1. Status of Board Governance Theme Milestones

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 Promontory assessed three Board Governance Theme Milestones (Milestones 2.4, 3.5 and 5.3) as complete and effective. The Closure Packs for these Milestones were submitted in the Ninth and Tenth Reporting Periods.

As at the Reporting Date all 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 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.

At the Reporting Date Promontory was assessing three Board Governance Theme Recommendations (Recommendations 2, 3 and 5), 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, 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	◔

3.2. Board Governance Theme Milestone Assessment Outcomes

3.2.1. Assessment of Recommendation 2 Milestone

The Target State for Recommendation 2 is that the Board and its Audit and Risk Committees are operating at a level consistent with global better practice.

a) Milestone 2.4

Milestone 2.4 (an Embed Milestone) requires that the Board External Review assesses whether the processes and practices of the Board and its Audit and Risk Committees are appropriately aligned with global better practice for risk management against the results of the external party review and gap analysis conducted for Milestone 2.1.

CBA confirmed and provided evidence that:

- an External Review was completed;

- the External Review concluded that the CBA Board and its Committees are currently 'operating at a level consistent with global better practice'; and

- the Board considered the results of the External Review.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 2.2 in relation to:

- the effectiveness of embedding into BAU changes made to risk management and compliance reporting to the Board and BRCC; and

- the approach to enhancing risk and compliance reporting, and synthesis of themes and insights to the Board and BRCC.

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:

- CBA's definition of global better practice and the benchmarks used for the External Review's assessment against the Target State; and

- how the Sustainability Plan defines global better practice.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that the External Review determined that the Board and its Audit and Risk Committees are operating at a level consistent with global better practice.

As such, we consider that:

- the Milestone's Closure Criteria have been met;

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

- the Target State has been achieved; and

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

The Milestone is, therefore, complete and effective.

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

- whether the Sustainability Plan has been updated to reference global better practice using the definition specified in the RAP; and

- whether the Sustainability Plan requires future triennial reviews to form a view of CBA's progress against Milestone 2.1 using the updated definition of global better practice.

3.2.2. Assessment of Recommendation 3 Milestone

The Target State for Recommendation 3 is to have clear accountabilities, and effective and timely information flows between Board Committees to support issue oversight and resolution of risk issues.

a)   Milestone 3.5

Milestone 3.5 (an Embed Milestone) requires that the Board External Review referenced in Milestone 2.4 also assess the effectiveness of co-ordination between the BRCC, the PRC and the BAC.

CBA confirmed and provided evidence that:

- an External Review was completed and assessed the effectiveness of co-ordination between the BRCC, PRC and BAC, and determined whether current practice reflects characteristics required in the Closure Criteria and Target State;

- the External Review found 'structure and clarity' in relation to accountabilities, that information flows were 'clearly improving', that matters are tracked and followed up across Committees, and Chairs are taking a strong role in leading their respective Committees; and

- the Board considered the results of the External Review.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessments of Milestones 3.1, 3.2, 3.3 and 3.4 in relation to the effectiveness of measures designed to refer matters between Board Committees.

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:

- CBA's definitions of 'effective' and 'timely', and the thresholds applied to gain comfort this standard is being met; and

- the referral and tracking of matters between Committees.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that the External Review determined that clear Committee

accountabilities, effective and timely co-ordination of information, and established operational procedures for oversight and resolution of matters exist.

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 whether the Sustainability Plan includes processes or controls aimed at ensuring that future External Reviews assess Board and Committee referrals over a reasonable period as part of considering the quality of ongoing co-ordination between Board Committees and resolution of referred matters.

3.2.3. Assessment of Recommendation 5 Milestone

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

a)   Milestone 5.3

Milestone 5.3 (an Embed Milestone) requires that the Board External Review referenced in Milestone 2.4 also assesses whether the Board and the BRCC receives adequate NFR information, including early indicators of emerging risks, to support constructive debate and challenge.

CBA confirmed and provided evidence that:

- an External Review was completed and assessed whether the Board and BRCC receive adequate NFR information, and whether the Board and BRCC are able to examine and identify issues arising across the categories of NFR, including emerging risks;

- the External Review found 'significant and sustained effort has been invested in the quality of non-financial risk reporting and oversight';

- the Board considered the results of the External Review; and

- reporting and dashboards provided to the Board and BRCC address relevant components of NFR, including new and emerging risks, emerging regulatory risks, complaints analysis, granular risk appetite metrics, control gaps and incidents.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 5.2 in relation to:

- the effectiveness of embedding into BAU changes made to risk management and compliance reporting to the Board and BRCC; and

- the approach to enhancing risk and compliance reporting, and synthesis of themes and insights to the Board and BRCC.

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.

Based on our assessment of the Milestone Closure Pack, we concluded that the External Review determined that the Board and the BRCC receive adequate NFR information, including early indicators of emerging risks, to support constructive debate and challenge.

As such, we consider that:

- the Milestone's Closure Criteria have been met;

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

- the Target State has been achieved; and

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

The Milestone is, therefore, complete and effective.

4. 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.

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 Theme Recommendations 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	●

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

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

During the Reporting Period the Program submitted the Closure Packs for two Operating Model (3LoA) Theme Milestones (Milestones 9.5 and 9.5a). The Closure Packs were submitted before the relevant Due Dates set out in the RAP.

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 with the 3LoA Principles	Mar-19	●
		9.3 Design	Endorse plan to align with 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	◕
		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	◕
10	CRO independence	10.1 Design	Clarify engagement protocol between BU CROs and BUs to maintain connectivity without compromising independence	Dec-18	●
		10.2 Implement	Reinforce independence of BU CROs by amending reporting lines and KPIs	Feb-19	●
		10.3 Embed	Complete Group CRO performance assessment of BU CROs	Oct-19	●

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

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

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

During the Reporting Period:

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

- 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	◕
10	CRO independence	BU CROs are, and are perceived to be, independent from BUs while continuing to be well-connected to BUs	Jun-20	●

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:

- The Program submitted the Closure Pack for one Risk Appetite, Taxonomy and Standards Theme Milestone (Milestone 12b.3b). The Closure Pack was submitted before the relevant Due Date set out in the RAP.

- Promontory assessed four Risk Appetite, Taxonomy and Standards Theme Milestones (Milestones 12a.7, 12b.2b, 12c.3 and 12d.2c) as complete and effective. The Closure Packs for these Milestones were submitted in the Eighth and Ninth Reporting Periods.

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

At the Reporting Date Promontory was assessing two Risk Appetite, Taxonomy and Standards Theme Milestones (Milestones 12b.3a and 12b.3b), the Closure Packs for which were submitted in the Eighth and Eleventh Reporting Periods.

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 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:

- Promontory assessed one Risk Appetite, Taxonomy and Standards Theme Recommendation (Recommendation 12c) as closed. The Closure Pack for this Recommendation was submitted in September 2020.

- 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 12a), the Closure Pack for which was submitted in December 2020.

As at the Reporting Date, one of the four Risk Appetite, Taxonomy and Standards Theme Recommendations had been assessed as closed.

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	◕
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	◕

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

6.2.1. Assessment of Recommendation 12a Milestone

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

a)   Milestone 12a.7

Milestone 12a.7 (an Embed Milestone) requires that BU/SU RASs are enhanced through their annual review process to include metrics (with associated limits and triggers) for locally material OR&C risk types. The annual review of OR&C risk indicators in the Group RAS is to be completed taking into account, among other business drivers, the effectiveness of the current OR&C risk indicators and the availability of better data where relevant.

CBA confirmed and provided evidence that:

- BU/SU RASs have been updated with local metrics for material OR&C risk types and these metrics have been endorsed by the relevant BU/SU NFRC;

- the Board has approved the updated OR&C risk indicators as part of the annual review of the Group RAS; and

- the updated OR&C risk indicators are documented in rationale templates.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessments of Milestones 12a.2, 12a.5 and 12a.6 in relation to:

- the process for updating BU/SU RASs;

- AHL's inclusion of limits and triggers for its RAS metrics;

- cascading of Group RAS OR&C metrics; and

- updates made to the Wealth Management LoB RASs.

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 process to remove a SU RAS;

- the annual review of the Group and BU/SU RASs;

- the quality, consistency, and appropriateness of the BU/SU RASs;

- governance and control processes in place to oversee the data sources which feed into RASs; and

- the use of clear and achievable actions in response to early warning and intervention levels.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that the BU/SU RASs were reviewed, updated and contained local OR&C metrics that were endorsed by the relevant BU/SU NFRC, and that the Group RAS was subject to annual review along with the rationale templates.

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:

- completion of the BW RAS metric updates;

- the updated RAS process document;

- evidence of the reporting of all new or amended indicators that have been designed according to the new Enterprise Risk design principle; and

- evidence of an uplift in documenting actions in response to breached metrics where it is determined that no formal 'Go-to-Green' plan is required.

6.2.2. Assessment of Recommendation 12b Milestone

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

a) Milestone 12b.2b

Milestone 12b.2b (an Implement Milestone) requires CBA to define minimum standards for Wave Two risk types. These are incorporated into simplified policy, as appropriate, in conjunction with the Group Policy Framework Review Project.

CBA has confirmed and provided evidence that:

- policy suites for the Wave Two risk types were developed;

- the ELT NFRC Policy Sub-Committee endorsed the policy suites for the Wave Two risk types;

- the Wave Two policy suites incorporated the approved minimum standards; and

- the policy suites were communicated across the Group, leveraging the Drop Process communications and rollout approach.

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

- inconsistencies in the application of the Group Policy Framework;

- changes to the minimum standard criteria template and the approach to applying the minimum standards to policy suites to ensure consistency; and

- evidence that the policy development and refresh process ensures that applicable compliance obligations are integrated into the relevant policy suites.

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

- the incorporation of amendments to the policy suites requested by the ELT NFRC Policy Sub-Committee;

- CBA's approach to ensuring consistency in determining whether BU/SU procedures are required for a particular policy suite;

- the application of the minimum standards criteria to the Wave Two policy suites;

- an update on the status of proposed changes to the Group Policy Framework templates; and

- the approach taken to ensure that applicable compliance obligations were integrated into the Wave Two policy suites.

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 policy suites for the Wave Two risk types incorporating the minimum standards, the ELT NFRC Policy Sub-Committee approved the policy suites and that the policy suites were communicated across the Group.

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

In finalising our assessment, we foreshadowed that our assessment of Embed Milestone 12b.3b for this Recommendation will consider AHL's adoption of the Wave Two policy suites.

6.2.3. Assessment of Recommendation 12c Milestone

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

a)   Milestone 12c.3

Milestone 12c.3 (an Embed Milestone) requires that discussion of emerging risks occurs as part of ELT NFRC meetings with actions recorded. Emerging risk reporting to the ELT NFRC is supported by discussion of emerging risks at BU/SU NFRCs.

CBA confirmed and provided evidence that:

- the ELT NFRC has specific time allotted to discussing emerging risks and that actions arising from these discussions are recorded by the ELT NFRC Secretariat to ensure accountability;

- actions have been taken and completed with respect to identified emerging risks;

- the Emerging Risks Forum continues to provide identification, measurement and challenge for consideration to the ELT NFRC as part of its emerging risk reporting; and

- BU/SU NFRCs continue to discuss emerging risks on a quarterly basis.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessments of Milestones 12c.1 and 12c.2 in relation to:

- how the list of aggregated emerging risks is formed from, and attributed to, underlying BU/SU emerging risk profiles;

- how target residual risk levels are agreed and communicated, and action plans developed for the most severe emerging risks for reporting to the ELT NFRC;

- the Sustainability Plan including effective controls to ensure the cadence of emerging risk discussion at BU/SU NFRCs, the Emerging Risks Forum and ELT NFRC;

- whether the reporting on emerging risks at BU/SU NFRCs complied with the minimum requirements of the BU/SU Emerging Risk Reporting Template; and

- whether the Emerging Risks Forum is effectively fulfilling its mandate to assess and escalate emerging risks identified by BU/SUs to the ELT NFRC.

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:

- inputs used by BU/SUs in considering relevant emerging risks;

- the proposed change in the cadence of emerging risk discussions at BU/SU NFRCs;

- the role of the Emerging Risks Forum; and

- an update on the actions taken to improve the Emerging Risks template and associated guidance.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that discussions of emerging risks occur as part of ELT NFRC meetings and that actions are taken and completed to proactively mitigate risk. We also concluded that reporting to the ELT NFRC is supported by reporting to and discussions of emerging risks at BU/SU NFRCs.

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.

6.2.4. 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 with 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.2c

Milestone 12d.2c (an Implement Milestone) requires that the final approved FY21 Line 2 Assurance Plan, incorporating any design and implementation changes, has been rolled out to BU/SU Line 2 and that material design changes have been codified into the updated Line 2 Assurance Standard and Procedure as relevant.

CBA confirmed and provided evidence that:

- a FY21 Line 2 Assurance Plan was:

  ○ developed in accordance with the design and implementation changes;

  ○ approved by the Group CRO; and

  ○ rolled out to BU/SU Line 2 with narrative provided to illustrate any design and implementation changes.

- the updated Line 2 Assurance Standard and Procedure received the necessary endorsements and approvals.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 12d.2 regarding Group-mandated reviews.

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

- the rationale behind the targeted assurance reviews selected for the FY21 Line 2 Assurance Plan;

- variances in the number of reviews performed across the BU/SUs;

- the adequacy of Line 2 Assurance resourcing to fulfil its assurance responsibilities;

- evidence of BU/SU and ELT NFRC governance; and

- updates to the Line 2 Assurance Standard to ensure alignment with the CAP Standard.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interview we conducted, we concluded that CBA has adequately incorporated design and implementation changes into the FY21 Line 2 Assurance Plan, and has rolled out the updated Line 2 Assurance Standard and Procedure.

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:

- how the Line 2 Assurance Standard and Procedure has been uplifted following the implementation of the CAP Standard and Procedure; and

- the management actions and steps planned to address any gaps or issues observed by Line 3 in relation to:

    ○ inconsistencies in the planning approach taken by BU/SUs for the FY21 Line 2 Assurance Plan;

    ○ the variance in the number of targeted assurance reviews performed by each BU/SU and whether this reflected Line 2's capability and/or capacity to deliver assurance activities; and

    ○ clarifying the scope of the Line 2 Assurance Standard and Procedure for assurance activities that do not form part of the Line 2 Assurance Plan.

6.3. Risk Appetite, Taxonomy and Standards Theme Recommendation Assessment Outcomes

6.3.1. Assessment of Recommendation 12c

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

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

- dedicating specific agenda time to understanding and addressing emerging risks identified through the Emerging Risks Forum at the ELT NFRC;

- continuing to discuss emerging risks at BU/SU NFRCs and the Emerging Risks Forum for escalation to the ELT NFRC through emerging risk reporting; and

- the use of emerging risk templates by BU/SUs to proactively identify emerging risks for discussion.

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

- requires regular reviews of the NFR Emerging Risks Report guidance, the performance of the BU/SU NFRCs and ELT NFRC, the performance of the Emerging Risks Forum and the adequacy of the ELT NFRC Charter;

- details accountability for relevant frameworks and processes; and

- outlines the required cadence for discussion of emerging risks across the ELT and BU/SU NFRCs.

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.

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

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.4b) to Promontory. The Closure Pack was submitted before the relevant Due Date set out in the RAP.

- Promontory assessed three Accountability and Controls Delivery Theme Milestones (Milestones 12e.3c, 12f.3 and 16.3) as complete and effective. The Closure Packs for these Milestones were submitted in the Eighth and Ninth Reporting Periods.

At the Reporting Date Promontory was assessing two Accountability and Controls Delivery Theme Milestones (Milestones 12e.3d and 12e.4b), the Closure Packs for which were submitted in the Tenth and Eleventh Reporting Periods.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 10 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 was working on the one remaining Recommendation Closure Pack for this Theme.

At the Reporting Date Promontory was assessing two Accountability and Controls Delivery Theme Recommendations (Recommendations 12f and 16), the Closure Packs for which were 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	◕

7.2. Accountability and Controls Delivery Theme Milestone Assessment Outcomes

7.2.1. Assessment of Recommendation 12e Milestone

The Target State for Recommendation 12e is that:

- the end-to-end risk and control environment is consistently reviewed and assessed in detail, and challenged by Line 2;

- gaps in the operating and control environment are captured as issues and addressed to maintain risks in line with risk appetite; and

- baselining, together with OR&C Frameworks, enhanced RASs and policies including minimum standards, will provide a detailed and effective assessment of the risk obligations and control environment and help to identify emerging gaps and drive proactive investment to maintain the risk profile in line with appetite.

a)   Milestone 12e.3c

Milestone 12e.3c (an Implement Milestone) requires that:

- BU/SU risk profiles are updated via the Improving RCSA for Financial Crimes Compliance (**FCC**) in line with the Drops Process;

- RMAPs are developed to evidence actions taken to bring risk in line with risk appetite;

- outcomes from the Improving RCSA for FCC are reported to BU/SU NFRCs as required;

- Improving RCSA guidance for privacy is created;

- 'test and learn' for the draft CAP Standard and Procedure has commenced for FCC; and

- the Obligations Management Standard is rolled out to BU/SUs.

CBA has confirmed and provided evidence that:

- BU/SU risk profiles in RiS were updated following the Improving RCSA for FCC;

- material gaps and weaknesses were recorded within RMAPs;

- the outcomes of the Improving RCSA for FCC were presented to the relevant BU/SU CCO, CRO and GE and/or the relevant BU/SU NFRC;

- Privacy-specific Improving RCSA guidance was created and provided to the BU/SUs;

- drafts of the CAP Standard and Procedure were developed and the 'test and learn' commenced for FCC; and

- the Obligations Management Standard was rolled out to BU/SUs.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessments of Milestones 12e.1, 12e.2 and 12e.3b in relation to:

- identifying and documenting improvement opportunities based on the experience of activities conducted in earlier drops;

- the quarterly review of RMAPs by BU/SU NFRCs;

- the risk taxonomy mapping for FCC;

- a consistency review being performed on obligations, risks, controls and issues for the Improving RCSA for FCC;

- evidence of BU/SU GE approval of the updated risk profiles following the Improving RCSA for FCC;

- providing an update of the progress of work made to address specific areas of data quality; and

- remediation of issues identified in the consistency review for Drop 7.

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

- a progress update on the work being undertaken to address data quality issues in RiS;

- evidence of the issues and associated actions uploaded to RiS following the Improving RCSA for FCC;

- actions taken to verify the reduction in inconsistencies identified by the consistency review on FCC risk profiles following the Improving RCSA for FCC;

- information on actions taken to address inconsistencies noted in BU/SU RMAPs; and

- evidence that BU/SU NFRCs tabled their RMAP following the Improving RCSA for FCC.

Based on our assessment of the Milestone Closure Pack and the additional information we received, we concluded that CBA has updated BU/SU risk profiles following the Improving RCSA for FCC, governance for the BU/SU risk profiles is in place, the CAP 'test and learn' commenced and the Obligations Management Standard has been rolled out to BU/SUs.

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

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

- the plans developed to support the transition to the Obligations Management Standard;

- governance processes to manage the Obligations Register;

- the plan developed to ensure uplift of RiS data quality and BU/SU RMAPs;

- business profile owners' self-assessments of their compliance arrangements at the obligations summary level for the Improving RCSA for Privacy;

- evidence of the Compliance Profile Reports generated following the Improving RCSA for Privacy;

- the plan proposed to uplift the risk and control environment for the remaining non-prioritised risk types; and

- evidence of the Compliance Exposure Reports generated for the ELT NFRC and Board.

7.2.2. Assessment of Recommendation 12f Milestone

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

- root cause analysis is conducted where appropriate;

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

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

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

- Line 2 and Line 3 assurance roles are specified.

a)   Milestone 12f.3

Milestone 12f.3 (an Embed Milestone) requires that root cause analysis is fully embedded as part of the Issue Management Standard, with root cause analysis completed for all issues prescribed in the Issue Management Standard and communications provided to support rollout.

Due to the interdependency with Recommendation 16 in relation to the Issue Management Standard, we conducted the assessment of Milestone 12f.3 in conjunction with our assessment of Milestone 16.3.

CBA has confirmed and provided evidence that:

- root cause analysis is being consistently applied to issues;

- actions to address root causes are identified in line with the Issue Management Standard and are documented in RiS;

- findings from the root cause analysis has resulted in actions to improve the control environment; and

- issues are reported through BU/SU and ELT NFRCs, and the BRCC and/or BAC as relevant.

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

- the finalised approach to the application of root cause analysis to existing issues;

- findings and recommendations from the Line 2 Framework Maturity Assessment;

- support provided to BU/SUs to assist in consistent application of the Issue Management Standard and Procedure; and

- evidence that root cause analysis had translated into actions to improve the control environment.

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.

Promontory also undertook detailed testing for this Milestone. This testing was to assess and understand the extent to which the Issue Management Standard had been consistently and appropriately applied, including the application of root cause analysis. This testing, which was conducted onsite at CBA offices, was performed by viewing a sample of issues within RiS.

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

- progress of the work being undertaken to address the findings from the Line 2 Framework Maturity Assessment;

- Line 2's 'approve and accept' activities for low– and medium-rated issues; and

- embedment of the Issue Management Standard and Root Cause Analysis Procedure within ES.

Based on our assessment of the Milestone Closure Pack, the detailed testing we performed, the additional information we received and the interviews we conducted, we concluded that the Issue Management Standard has been embedded and that root cause analysis is being performed in line with the Issue Management Standard.

As such, we consider that:

- the Milestone's Closure Criteria have been met;

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

- the Target State has been achieved; and

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

The Milestone is, therefore, complete and effective.

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

- the delivery of the Obligations Practitioner eLearning and the Learning Labs for RCSA, CAP and Obligations modules; and

- the work being undertaken to improve data quality within RiS.

7.2.3. Assessment of Recommendation 16 Milestone

The Target State for Recommendation 16 is that:

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

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

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

a)   Milestone 16.3

Milestone 16.3 (an Embed Milestone) requires that BU/SUs manage all issues in line with the Issue Management Standard, communications support the rollout of the Issue Management Standard, and that reporting and escalation to the ELT NFRC, BRCC and/or BAC occurs as required.

Due to the interdependency with Recommendation 12f in relation to the Issue Management Standard, we conducted the assessment of Milestone 16.3 in conjunction with our assessment of Milestone 12f.3.

CBA confirmed and provided evidence that:

- reporting of issues to the BRCC, BAC and ELT NFRC includes appropriate metrics;

- the revised Issue Management Standard is being consistently applied; and

- demonstrated consequences for issues management through performance management, as appropriate.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 16.2 in relation to:

- findings and recommendations from the Framework Maturity Assessment;

- progress against the improvements proposed by the Group CCO in relation to the management of long-dated issues;

- the use of RiS to provide accurate and timely reporting of issue-related data; and

- support provided to the BU/SUs to ensure the quality and consistency of reporting on issues, including the appropriateness of metrics.

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.

Promontory also undertook detailed testing for this Milestone. This testing was to assess and understand the extent to which the Issue Management Standard had been consistently and appropriately applied, including the

application of root cause analysis. This testing was performed by viewing a sample of issues within RiS onsite at CBA offices.

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

- findings and recommendations from the Line 2 Framework Maturity Assessment;

- Line 2's 'approve and accept' activities for low– and medium-rated issues;

- plans to improve consistency of reporting at BU/SU NFRCs;

- examples of where consequences had been applied for failures relating to issue management; and

- Line 3's role in closing audit issues.

Based on our assessment of the Milestone Closure Pack, the detailed testing we performed, the additional information we received and the interviews we conducted, we concluded that the reporting of issues to the BRCC, BAC and ELT demonstrates appropriate metrics, the revised Issue Management Standard is being consistently applied and consequences are demonstrated through performance management, as appropriate.

As such, we consider that:

- the Milestone's Closure Criteria have been met;

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

- the Target State has been achieved; and

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

The Milestone is, therefore, complete and effective.

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

- the delivery of the Obligations Practitioner eLearning and the Learning Labs for RCSA, CAP and Obligations modules; and

- the work being undertaken to improve data quality within RiS.

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

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 15.5) 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 15.4a and 18.3) as complete and effective. The Closure Packs for these Milestones were submitted in the Eighth and Ninth Reporting Periods.

At the Reporting Date Promontory was assessing one Customer Outcomes Theme Milestone (Milestone 17.3), the Closure Pack for which was submitted in the Tenth Reporting Period. Promontory was yet to start its review of one Customer Outcomes Theme Milestone (Milestone 15.5), the Closure Pack for which was submitted in March 2021.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 14 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	◑
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	◕

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Status
18	Systemic issues	18.1 Design	Develop the criteria and plan to enhance systemic issues identification and reporting	Dec-18	●
		18.2 Implement	Systemic issues insights are tabled at ELT NFR, BRCC and BU/SU NFRCs	Oct-19	●
		18.3 Embed	Regular reporting to ELT NFRC and BRCC on systemic issues	Sep-20	●
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 was working on the remaining Recommendation Closure Pack for this Theme.

At the Reporting Date Promontory was assessing three Customer Outcomes Theme Recommendations (Recommendations 17, 18 and 21), the Closure Packs for which were submitted in the Eighth, Ninth and Tenth Reporting Periods.

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 15 Milestone

The Target State for Recommendation 15 is that:

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

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

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

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

a) Milestone 15.4a

Milestone 15.4a (an Implement Milestone) requires that:

- the risk taxonomy and control taxonomy for all Level 3 Conduct risk types is updated in RiS;

- the Controls Library includes controls for Handling of Financial Hardship and Debt Collection;

- guidance has been provided to support the preparation for Improving RCSA for Conduct;

- BU/SU risk profiles have been updated via Improving RCSA for the first wave of Conduct risk prioritised risk types; and

- the Improving RCSA for Conduct will use the approach endorsed in Milestone 12e.3b.

CBA confirmed and provided evidence that:

- all Conduct risk instances in RiS have been validated to ensure correct mapping to the revised risk taxonomy;

- the Conduct control taxonomy was uploaded to RiS;

- controls for the Handling of Financial Hardship and Debt Collection were included in the Controls Library;

- guidance was provided to support the preparation for Improving RCSA uplifts for the Handling of Financial Hardship and Debt Collection;

- BU/SU risk profiles were updated to reflect Handling of Financial Hardship and Debt Collection guidance, and 'approved or accepted' by Line 2 as required; and

- RMAPs were developed for in-scope BU/SUs to reflect gaps and weaknesses.

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

- Line 2's approval of risk profiles updated for the Handling of Financial Hardship and Debt Collection for selected BU/SUs;

- inconsistencies in RMAPs across the BU/SUs;

- the non-adoption by BU/SUs of suggested controls for the Handling of Financial Hardship and Debt Collection; and

- discussion of RMAPs at BU/SU NFRCs.

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

- the risk and control taxonomies for all Level 3 Conduct risks have been updated in RiS;

- the Controls Library covers Handling of Financial Hardship and Debt Collection;

- CBA has provided guidance on risks, obligations and controls to support Conduct Improving RCSA activities; and

- BU/SU risk profiles were updated in RiS.

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

8.2.2. Assessment of Recommendation 18 Milestone

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

a)   Milestone 18.3

Milestone 18.3 (an Embed Milestone) requires regular reporting to the Board and ELT NFRC on systemic issue insights, which demonstrates that BU/SUs are responding to systemic issues in a timely manner and using insights to address underlying issues.

CBA confirmed and provided evidence that:

- reporting on systemic issues continues to be provided to the Board, ELT NFRC, BU/SU NFRCs and other applicable forums;

- systemic issue reporting has been enhanced to improve the consistency of reporting and the quality of systemic issue insights being provided; and

- the process for identifying and investigating systemic issues has continued to mature.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 18.2 in relation to:

- the quality and suitability of systemic issue reporting, and the relevant BU/SU actions, reported to the Board and the ELT NFRC; and

- the quality and effectiveness of systemic issue insights reported to the Board, ELT NFRC and BU/SU NFRCs and other applicable forums.

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.

Promontory also undertook detailed testing for this Milestone. This testing was to assess the level of detail captured by CBA staff when recording complaints and investigating systemic issues within FirstPoint. This testing was performed by viewing, onsite at CBA offices, a sample of complaints and case files within FirstPoint.

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

- the inclusion of systemic issue analysis, in addition to systemic issue metrics, in the reporting provided to the Board and ELT NFRC;

- the quality assurance process for systemic issue case management; and

- AHL's approach to systemic issue reporting.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the detailed testing we performed, we concluded that the Board and ELT NFRC receive regular reporting on systemic issues and that this reporting has been enhanced by the quality and effectiveness of systemic issue insights.

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 consider whether the Sustainability Plan has been updated to ensure that systemic issues and relevant BU/SU actions continue to be discussed at the Board and ELT NFRC.

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 Promontory assessed five Culture, Capability and Consequences Theme Milestones (Milestones 24b.3, 27.3, 28.3, 29.3 and 30.3) as complete and effective. The Closure Packs for these Milestones were submitted in the Ninth and Tenth Reporting Periods.

At the Reporting Date Promontory was assessing five Culture, Capability and Consequences Theme Milestones (Milestones 13.3, 22.3b, 23.3, 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 45 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	◕
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	◕

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
23	Board governance of remuneration	23.1 Design	Develop plans for enhanced Board governance and processes for remuneration	Mar-19	●
		23.2 Implement	Implement enhanced governance processes including increased reporting and review	Dec-19	●
		23.3 Embed	Board PRC exercises stronger governance on CEO and GE remuneration outcomes	Dec-20	◑
24a	CRO assessment	24a.1 Design	Enhance the CRO assessment of CEO and GE risk scorecards	Jun-18	●
		24a.2 Implement	Finalise enhanced CRO assessment of CEO and GE performance	Aug-18	●
		24a.3 Embed	The Board uses further enhanced CRO assessment in determining appropriate CEO and GE remuneration outcomes	Aug-19	●
24b	Analytics and reporting	24b.1 Design	Develop plan for enhanced analytics and reporting on remuneration outcomes to be provided to the PRC	Jul-19	●
		24b.2 Implement	Improve analytics and reporting provided to Board	Dec-19	●
		24b.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	◑

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
25a	Board guidance on risk adjustments	25a.1 Design	Strengthen guidance to management on the Board's expectations for risk adjustments to remuneration outcomes	Mar-19	●
		25a.2 Implement	Incorporate strengthened Board guidance into FY19 remuneration reviews	Aug-19	●
		25a.3 Embed	FY19 remunerations outcomes across all staff reflect Board guidance	Apr-20	●
25b	Risk function support on risk adjustments	25b.1 Design	Design an enhanced approach for risk assessment that appropriately penalises or rewards risk and compliance outcomes	Mar-19	●
		25b.2 Implement	New process in place to strengthen the role of the risk function in FY19 remuneration reviews	Aug-19	●
		25b.3 Embed	FY19 remuneration outcomes across all staff analysed and reflect robust applications of the risk modifier	Apr-20	●
25c	Communication of outcomes	25c.1 Design	Develop a communications mechanism and strategy to communicate the impact of both good and poor risk outcomes to CBA staff	Oct-18	●
		25c.2 Implement	Communicate good and poor FY18 risk outcomes with the organisation	Nov-18	●
		25c.3 Embed	FY19 risk and remuneration outcomes exhibit appropriate aggregation and anonymisation, and communications approach revised	Nov-19	●

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

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
29	BU/SU relationships	29.1 Design	Establish baselines and develop plans to uplift risk culture mindsets and behaviours, with targeted initiatives on the relationship between business and risk functions	Mar-19	●
		29.2a Implement	Implement targeted interventions including Lines 1 and 2 engagement forums and career pathways	Mar-20	●
		29.2b Implement	Refresh targeted interventions based on new insights	May-20	●
		29.3 Embed	Cross reference Milestone 27.3	Sep-20	●
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 Promontory assessed two Culture, Capability and Consequences Theme Recommendations (Recommendations 25a and 25c) as closed. The Closure Packs for these Recommendations were submitted in November 2020.

At the Reporting Date Promontory was assessing 11 Culture, Capability and Consequences Theme Recommendations (Recommendations 13, 22, 23, 24b, 24c, 25b, 26, 27, 28, 29, 30) 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, three 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	●

#	Recommendation Description	Target State Description	Due Date	Progress
26	Remuneration framework review	All key remuneration frameworks and practices are reviewed and, where appropriate, aligned with better global practice	Dec-20	
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 24b Milestone

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

- the appropriateness of BU/SU variations in risk reduction;

- links between consequences and remuneration outcomes; and

- remuneration policy effectiveness and the application of the risk modifier, and values assessment.

a) Milestone 24b.3

Milestone 24b.3 (an Embed Milestone) requires that the analytics and reporting provided by management supports the Board in the application of remuneration governance and process with comprehensive oversight, insights and learnings.

CBA confirmed and provided evidence that:

- the FY20 remuneration analytics included a range of qualitative data analytics, consideration of the application of the Values assessment and refinements to data reporting to reflect feedback on requirements;

- changes and enhancements were made to the data analytics, consistent with the plans outlined in Milestone 24b.2b; and

- reviews are planned in support of ongoing refinements beyond the period of this Milestone.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 24b.2b in relation to:

- progress made on improvements to data and systems to support deeper analysis of remuneration outcomes and policy effectiveness, recognising that enhancements will continue throughout 2020; and

- elements of the Sustainability Plan, including the revised approach for future Group Remuneration Policy effectiveness reviews and longer-term technology activities (beyond FY20-FY21), and the objectives against which they will be governed.

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:

- analysis of the suitability of the STVR reductions being applied;

- the time being allocated by the PRC to discussing the remuneration analysis and provide feedback;

- matters being referred to or from the BRCC; and

- additional analysis being conducted on problem areas identified by the analysis.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that the analytics and reporting which have been developed by CBA and used by the Board provide oversight, insight and learnings, and support the effective application of remuneration governance and processes.

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.

9.2.2. Assessment of Recommendation 27 Milestone

The Target State for Recommendation 27 is for senior leaders, including the ELT, to demonstrate capability for reflection, challenge and learning, with this shown by taking time to personally reflect on issues and absorb

lessons, displaying a lack of defensiveness in receiving challenge, emphasising actions to establish feedback loops and 'risk memory', and prioritising optimal outcomes over collegiality.

a)   Milestone 27.3

Milestone 27.3 (an Embed Milestone) is one of four closely linked Milestones (Milestones 27.3 to 30.3) that are intended to shift mindsets and behaviours. Common to each of Milestones 27.3 to 30.3 is the need to assess progress against the risk culture baseline with results informing refreshed plans for targeted interventions, with ELT and Board oversight.

Milestone 27.3 requires embedding of targeted interventions and periodic monitoring of progress to reinforce senior leader challenge, reflection and conflict management behaviours.

CBA confirmed and provided evidence that:

- progress against risk culture metrics, as established through the risk culture baseline, was considered by the BRCC in February 2020;

- based on the re-assessment of risk culture progress against baseline, feedback and assessment of impact, CBA refreshed plans for targeted interventions;

- a Cultural Change Roadmap for Horizon 3 (March 2020 to February 2021) was endorsed by the ELT in February 2020 and the PRC on 3 April 2020;

- annual performance assessments of senior leaders for FY20 were conducted, with assessment of Values (including constructive challenge and self-reflection);

- a 'Risk Culture in Action' Case Study was undertaken over June/July 2020 to assess senior leader behaviours through the COVID-19 Pandemic, including an assessment of the 5 Skills; and

- a number of interventions were conducted under the Horizon 3 Roadmap in relation to senior leader capabilities and embedding the '5 skills', including formal evaluation of interventions.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 27.2b in relation to:

- AHL activities to address outstanding interventions;

- the framework for assessing senior leader performance against the Target State behaviours through the Executive Risk Scorecard; and

- plans developed and actions agreed by each BU/SU to address any differences in sub-cultures and specific risk culture weaknesses pertinent to their BU/SU.

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:

- changes to the L360 feedback process;

- plans to address areas identified for improvement in evaluation reports and the 'Risk Culture in Action' Case Study;

- plans for further guidance on how the 5 Skills will form part of the performance assessment processes;

- the use of the 'Sharing Lessons Learnt' Framework and mechanisms to formally capture and share lessons learnt;

- implementation of the Leadership Framework; and

- assessment of risk culture for AHL.

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 assessed progress against the risk culture baseline, and has embedded refreshed targeted interventions to reinforce senior leader challenge, reflection and conflict management behaviours. There was also periodic monitoring of progress and adequate ELT and Board oversight.

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.

9.2.3. Assessment of Recommendation 28 Milestone

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

a)   Milestone 28.3

As noted above, Milestone 28.3 (an Embed Milestone) is one of four closely linked Milestones (Milestones 27.3 to 30.3) which are intended to shift mindsets and behaviours.

In addition to the common elements under Milestone 27.3, Milestone 28.3 requires evidence that the performance assessments of senior leaders demonstrate disciplined management of risk and that the cascade of the tone from the top is being assessed for effectiveness through employee feedback.

CBA confirmed and provided the following evidence in relation to performance assessments:

- performance assessments of senior leaders for FY20 included evidence of risk assessments including STVR reductions for those who did not meet risk expectations; and

- guidance for performance reviews covering the Senior Leader population was updated to include risk-related content in relation to the COVID-19 Pandemic.

CBA confirmed and provided the following evidence in relation to feedback and tone from the top:

- Your Voice surveys in April, May and June 2020 included an item relating to COVID-19 communications;

- Your Voice surveys in October 2019 and September 2020 included an item relating to leaders setting an example;

- new starters provided feedback via an induction evaluation from March to June 2020;

- senior leaders provided feedback in relation to risk management across the organisation; and

- EGMs provided feedback in relation to effectiveness of the ELT in facilitating a Better Bank Leadership Offsite.

Promontory notes that additional examples of employee feedback was viewed in previous Milestones (e.g., Ask Me, L360 feedback and a Risk Culture Evaluation).

CBA also provided evidence of having addressed the actions and issues highlighted in our assessments of Milestone 28.2b and Milestone 28.2a respectively in relation to:

- the launch of the GM+ Risk Skills and Experience Training program with modules covering risk skills and leadership; and

- supporting senior leaders' communication and leadership skills through ongoing actions and activities taken in line with the *RAP Risk Culture Intervention Evaluation Quarter 5 Report* (September 2020).

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 ongoing content and oversight of the GM+ Risk Skills and Experience Training; and

- the ongoing role of Playbooks as an opportunity for cascading 'tone from the top'.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that CBA has provided adequate evidence that the performance assessments of senior leaders demonstrated disciplined management of risk and the cascade of the 'tone from the top' is being assessed for effectiveness through employee feedback. There is also evidence of ongoing monitoring and development of interventions focussed on uplifting senior leader capabilities.

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.

9.2.4. Assessment of Recommendation 29 Milestone

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

a)   Milestone 29.3

As noted above, Milestone 29.3 (an Embed Milestone) is one of four closely linked Milestones intended to shift mindsets and behaviours.

In addition to the common elements under Milestone 27.3, Milestone 29.3 requires evidence that the working relationship between BU/SUs and Risk is based on mutual respect and open communication.

CBA confirmed and provided evidence that:

- activities designed to foster working relationships between BU/SUs and the Risk function have been introduced;

- the 'Risk Culture in Action' Case Study identified an improvement in the relationship between BU/SUs and Risk, including greater alignment and engagement; and

- CCOs (as representatives of Line 1 Risk) and CROs have reflected on their observations of mutual respect and open communication in their respective BU/SUs.

In relation to the Target State elements of clear roles and responsibilities, strengthened risk capabilities and 360 feedback, these have been addressed by activities under Recommendations 9 and 13, as well as a range of activities under the Horizon 3 Cultural Change Roadmap (refer to Milestone 27.3).

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 Joint Leadership Team established by the EGM Operational Risk and the Group CCO to share best practice; and

- the use of the Your Voice survey to identify BU/SUs with comparatively weak Line 1/Line 2 relationships and examples of where this has led to deeper analysis and actions taken in Risk Culture Plans.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that CBA has provided adequate evidence that there has been a shift in mindsets focussed on mutual respect and open communication and that this has improved working relationships between the BU/SUs and Risk.

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.

9.2.5. Assessment of Recommendation 30 Milestone

The Target State for Recommendation 30 is that the refreshed CBA values set clear expectations for ethical behaviour of staff and pro-active action to deliver optimal outcomes. Positive behaviours of questioning and reflection are embedded in the day-to-day work patterns of staff. Recognition programs, consequence management and career progression reinforce and give staff skin-in-the-game to deliver good risk and customer outcomes.

a) Milestone 30.3

As noted above, Milestone 30.3 (an Embed Milestone) is one of four closely linked Milestones (Milestones 27.3 to 30.3) which are intended to shift mindsets and behaviours.

In addition to the common elements under Milestone 27.3, Milestone 30.3 requires embedding of targeted interventions and periodic monitoring of progress to shift employee mindsets and behaviours in line with new values, and risk expectations.

CBA confirmed and provided evidence that:

- a range of processes have been improved to drive better risk and values-related outcomes and behaviours, including in relation to performance assessment, recognition programs, Job Architecture, talent management and succession planning, development planning, induction and onboarding programs, and recruitment and promotion processes;

- the 'Risk Culture in Action' Case Study included an assessment of how effective people processes are in reinforcing the right risk outcomes; and

- a number of interventions were conducted under the Horizon 3 Roadmap with formal evaluation of career pathways, recognition, talent acquisition and onboarding/induction programs.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessments of Milestones 30.1 and 30.2a in relation to:

- the extent to which CBA's approach to refreshing culture communications was preventing message fatigue;

- the nature of the criteria for the Excellence Awards and the extent of guidance on the criteria provided when the awards were launched; and

- the results of the evaluations of the impact of new HR, talent and career processes.

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 structure of the Excellence Awards for FY21, in light of the refreshed Values;

- plans for ongoing evaluation of the career pathways and the recognition program; and

- findings from reviews of Development Plans and progress to improve Plan quality.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that CBA has improved a range of processes to support the connection between the Group's Purpose, Values Expectations and key policies to deliver better outcomes and behaviours, including in relation to performance assessment, recognition programs, career progression and HR processes.

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.

9.3. Culture, Capability and Consequences Recommendation Assessment Outcomes

9.3.1. Assessment of Recommendation 25a

The Target State for Recommendation 25a is for the Board to set clear expectations and provide comprehensive guidance and criteria on how adjustments to remuneration should be determined for positive or poor risk outcomes.

CBA is meeting the Target State through the annual PRC endorsement and dissemination of the Board Guidance, which sets out clear expectations and criteria on how remuneration should be adjusted for positive or poor risk outcomes and behaviours. It includes a minimum STVR reduction of 10% for a 'Partially Met' risk assessment, a mandatory STVR reduction of 100% for a 'Not Met' risk assessment, and remuneration adjustment examples based on real-life cases. Analysis of the final FY20 risk, performance and remuneration outcomes and impact of the Board Guidance was reported to the Board and PRC in October 2020.

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

- requires an annual review of the Board Guidance by the PRC;

- requires an annual review of the Group Remuneration Policy (incorporating the Group Performance Framework) and an annual Group Remuneration Policy effectiveness review;

- details accountability for these processes; and

- requires reporting to the PRC, BRCC and CEO on the application of the Board Guidance and the effectiveness and appropriateness of risk and remuneration outcomes.

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.

9.3.2. Assessment of Recommendation 25c

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

CBA is meeting the Target State through a number of initiatives. Internal transparency and the communication of the remuneration impact of positive and poor risk outcomes is delivered via CBA-wide internal communication platforms and directly from managers.

Senior leaders are supported with communication plans and toolkits to share both positive and poor risk outcomes drawing on examples from their own BU/SU. Promontory notes that, particularly in relation to poor outcomes, the content and detail of what is communicated is at the discretion of senior leaders.

External transparency and communication of the remuneration impact of positive and poor risk outcomes is delivered via the Remuneration Report published in CBA's Annual Report. The 2020 Remuneration Report includes a 'risk and remuneration consequences' section and discloses the remuneration adjustments made in FY18 and FY19 and termination rates for unacceptable conduct.

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

- clearly defined processes for the review and approval of communications;

- controls designed to support and ensure relevant and appropriate content is identified and communicated on an ongoing basis;

- a requirement to monitor and test controls; and

- clear accountability for the sustainability process.

Promontory therefore considers that:

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

- the Target State has been achieved;

- the Sustainability Plan has been operationalised;

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

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

Promontory considers the Recommendation to be closed.

10. Program Execution Theme Milestones

The Program Execution Theme deals with Inquiry 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:

- Promontory assessed four Program Execution Theme Milestones (Milestones 11.4, 31.3, 32.3 and 34.3) as complete and effective. The Closure Packs for these Milestones were submitted in the Ninth and Tenth Reporting Periods.

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

At the Reporting Date Promontory was assessing one Program Execution Theme Milestone (Milestone 35.2b) the Closure Pack for which was submitted in the Tenth Reporting Period.

Taking into account Milestones assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, 25 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	●
31	Skin in the game	31.1 Design	Define changes to the CBA Group Delivery Framework (**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	●

#	Recommendation Description	Milestone	Milestone Description	Milestone Due Date	Milestone Progress
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:

- Promontory assessed two Program Execution Theme Recommendations (Recommendations 31 and 32) as closed. The Closure Packs for these Recommendations were submitted in November 2020.

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

At the Reporting Date Promontory was assessing four Program Execution Theme Recommendations (Recommendations 11, 20, 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, three 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 with RAP outcomes, as designed and iterated, and have effectively embedded these into day-to-day operations	Jun-21	◔

10.2 Program Execution Theme Milestone Assessment Outcomes

10.2.1.Assessment of Recommendation 11 Milestone

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

a)   Milestone 11.4

Milestone 11.4 (an Embed Milestone) requires that BU/SUs have demonstrated the effectiveness of RiC in core processes as evaluated by Line 2.

CBA confirmed and provided evidence that:

- each BU/SU had deployed and operated RiC processes in accordance with the RiC methodology and that each CCO had provided a formal attestation to this end;

- the RiC methodology had been followed across a sample of change initiatives in each BU/SU;

- CRO 'approve or accept' was applied to each CCO attestation and sampled change initiatives were representative of the full population;

- RiC was discussed at each BU/SUs respective NFRC; and

- where BU/SUs required temporary exemptions to full compliance, these were in place and approved by the ELT with plans to return to full compliance.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestone 11.3 in relation to:

- walk-throughs of a sample of RiC cases and the approach in place;

- examples of the effective application of the RiC methodology; and

- evidence of Line 2 review of Line 1 RiC decision-making processes.

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.

Promontory also undertook detailed testing for this Milestone. This testing was to understand how RiC is used and discuss known limitations and observations with BU/SUs. This testing was performed onsite at CBA offices by conducting an end-to-end walkthrough of a sample of cases within RiC.

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

- future initiatives to enhance the RiC methodology and supporting infrastructure to support continuous improvement;

- ongoing changes and improvements to the RiC application and reporting on compliance and risk profiles;

- consideration and discussion of RiC at BU/SU and ELT NFRCs; and

- the steps taken to bring those BU/SUs with temporary exemptions into full compliance with the RiC process.

Based on our assessment of the Milestone Closure Pack, the additional information we received, the testing we performed and the interviews we conducted, we concluded that BU/SUs have demonstrated and evidenced the effective application of the RiC methodology, Line 2 'approve and accept' has occurred, and RiC outcomes have been discussed at BU/SU NFRCs.

As such, we consider that:

- the Milestone's Closure Criteria have been met;

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

- the Target State has been achieved; and

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

The Milestone is, therefore, complete and effective.

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

- the outcomes of ongoing initiatives to further enhance the RiC Methodology as it relates to any changes in the scope of changes subject to the RiC process; and

- plans to further uplift risk profile reporting as it relates to RiC.

10.2.2. Assessment of Recommendation 31 Milestone

The Target State for Recommendation 31 is that all CIP-endorsed programs have a senior-level sponsor and a business lead and delivery lead with appropriate skills and experience. External parties are not appointed to lead CIP-endorsed programs.

a)   Milestone 31.3

Milestone 31.3 (an Embed Milestone) requires annual performance reviews of BEAR Accountable Executives and Key Role Holders,[20] with remuneration impacts linked to delivery KPI allocations and delivery performance. External parties are not to lead CIP-endorsed programs.

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[20] Key Role Holders include Sponsors, Delivery Owners and Business Owners (i.e., sponsors and delivery leads).

Due to the interdependency with Recommendation 32 in relation to accountability for program delivery, we conducted the assessment of Milestone 31.3 in conjunction with our assessment of Milestone 32.3.

CBA confirmed and provided evidence that:

- the PRC approved the Group KPI Framework, with the Group KPI Guidance requiring mandatory minimum KPI weightings for Key Role Holders and outlining success measures for delivery governance;

- a FY21 KPI Compliance Review was conducted by BU/SU CCOs to assess the level of compliance with the Group KPI Guidance;

- BEAR Accountable Executives and Key Role Holders have been allocated KPIs that reflect delivery governance;

- FY20 annual performance assessments were conducted for BEAR Accountable Executives and Key Role Holders, with remuneration outcomes linked to assessment of performance against delivery governance KPIs;

- external parties are not leading CIP endorsed programs; and

- the GDF has been implemented with monitoring and reporting of compliance with GDF minimum standards (including in relation to seniority and employment status) and requirements for skills and experience of Key Role Holders.

CBA also provided evidence of having addressed the actions and issues highlighted in our assessment of Milestones 31.1 and 31.2 in relation to:

- the use of external parties to lead CIP-endorsed programs;

- the sustainability of the approach to confirm seniority and employment status of Key Role Holders;

- the ELT approval of the KPI exceptions process; and

- whether the KPIs for the OR&C RAP CIP program align with the requirements of the GDF.

CBA provided a Sustainability Plan for this Milestone (to apply to Recommendations 31 and 32) 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.

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

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

- the monitoring of GDF minimum standards (including the role level of Key Role Holders);

- assessing performance against delivery governance accountabilities;

- remuneration outcomes for FY19 and FY20 in relation to delivery governance performance;

- application of the KPI exceptions process;

- plans to upgrade the project management system; and

- controls for conducting the KPI Compliance Review.

Based on our assessment of the Milestone Closure Pack, the additional information we received and the interviews we conducted, we concluded that CBA has effectively reviewed the performance of BEAR Accountable Executives and Key Role Holders, with remuneration outcomes reflecting delivery performance of CIP-endorsed programs. We also concluded that sustainable processes ensure that external parties are not leading CIP-endorsed programs.

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.

10.2.3. Assessment of Recommendation 32 Milestone

The Target State for Recommendation 32 is for projects endorsed through the CIP ($10m+) to have a BEAR Accountable Executive, CBA Sponsor and Delivery Lead, and for remuneration outcomes for these roles to be aligned with formal assessment of successful project delivery.

a)   Milestone 32.3

Milestone 32.3 (an Embed Milestone) refers directly to Milestone 31.3. Details provided above on the assessment of Milestone 31.3 also apply to the assessment of Milestone 32.3.

In addition to the details above for Milestone 31.3, CBA confirmed and provided evidence that:

- the Group KPI Guidance requires a mandatory minimum KPI weighting for the RAP for all GM+ roles;

- assessment of RAP KPIs formed part of the annual performance assessment process; and

- all RAP Recommendations have an assigned BEAR Accountable Executive held to account for delivery of RAP outcomes via the RAP KPI (for Group Executives) and BEAR Accountability Statements.

CBA also provided evidence of having addressed the issue highlighted in our assessment of Milestone 32.2 in relation to the FY21 KPI Compliance review of the RAP KPI weight.

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 reviewed the performance of BEAR Accountable Executives and Key Role Holders and those with RAP accountability, with remuneration outcomes reflecting delivery performance of the RAP and CIP-endorsed programs.

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.

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 34.3

Milestone 34.3 (an Embed Milestone) requires that CBA consolidate the program status view of all CIP-endorsed programs and ensure that there is clear end-to-end traceability for these programs. For Category 1-3 initiatives, regular assessments against the GDF minimum standards are undertaken to ensure adherence.

CBA confirmed and provided evidence that:

- regular monitoring and a consistent approach to assessing project data on GDF adherence has been developed;

- analytics dashboards have been developed and implemented;

- interventions, including plans for course correction, have been developed and implemented;

- a self-assessment tool has been developed to assess compliance with the GDF; and

- responsibilities across the 3LoA have been developed, including scheduled reviews.

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

- whether the Project and Portfolio Management Centre tools have been developed and effectively embedded; and

- whether the list of projects showing status of adherence to the GDF is readily available following implementation of these tools.

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 setting and measurement of KPIs for project management staff;

- the storing and reconciliation of central information on foundational learning;

- the outcomes of interventions for course corrections; and

- action plans in place for those initiatives which were not adhering to GDF Minimum Standards.

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 set of dashboards and analytics to allow monitoring of projects, including against GDF minimum standards. We also concluded that, where there is non-adherence, processes are in place to identify and remediate outstanding issues.

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.

10.3 Program Execution Theme Recommendation Assessment Outcomes

10.3.1 Assessment of Recommendation 31

The Target State for Recommendation 31 is that all CIP-endorsed programs have a senior-level sponsor and a business lead and delivery lead with appropriate skills and experience. External parties are not appointed to lead CIP-endorsed programs.

CBA is meeting the Target State through a number of initiatives including the implementation of the GDF (and its minimum standards) and performance management frameworks. The GDF details recommended skills and experience for each type of Key Role Holder and the minimum standards includes requirements for each Key Role Holder relating to seniority, employment status (i.e., must be a permanent Group employee) and minimum time commitment. Compliance with these minimum standards is monitored and reported. Annual performance assessments are conducted for BEAR Accountable Executives and Key Role Holders, with remuneration outcomes linked to assessment of performance against delivery governance KPIs.

The Sustainability Plan for this Recommendation (to apply to Recommendations 31 and 32) provides a sound basis for supporting the maintenance of the Target State. In particular, the Plan:

- requires regular review of the GDF (and its minimum standards), the remuneration and performance frameworks, and Standard Operating Procedures for KPI Development and Compliance, and Performance Review;

- details accountability for these frameworks and processes;

- requires PRC approval of the Group KPI Guidance and an annual review of compliance with the Group KPI Guidance, with reporting to the PRC; and

- requires reporting to senior leaders on program health, compliance with minimum standards and details of key Role Holders.

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.

10.3.2 Assessment of Recommendation 32

The Target State for Recommendation 32 is for projects endorsed through the CIP ($10m+) to have a BEAR Accountable Executive, CBA Sponsor and Delivery Lead, and for remuneration outcomes for these roles to be aligned with formal assessment of successful project delivery.

CBA is meeting the Target State through a number of initiatives including the implementation of the GDF (and its minimum standards) and performance management frameworks. The GDF defines Key Roles as Sponsor, Lead Delivery Owner and Lead Business Owner, with the GDF minimum standards setting out mandatory requirements applying to each role for each initiative. Compliance with these minimum standards is monitored and reported. Annual performance assessments are conducted for BEAR Accountable Executives and Key Role Holders, with remuneration outcomes linked to assessment of performance against delivery governance KPIs.

The Sustainability Plan for this Recommendation (to apply to Recommendations 31 and 32) provides a sound basis for supporting the maintenance of the Target State. In particular, the Plan:

- requires regular review of the GDF (and its minimum standards), the remuneration and performance frameworks, and Standard Operating Procedures for KPI Development and Compliance, and Performance Review;

- details accountability for these frameworks and processes;

- requires PRC approval of the Group KPI Guidance and an annual review of compliance with the Group KPI Guidance, with reporting to the PRC; and

- requires reporting to senior leaders on program health, compliance with minimum standards and details of key Role Holders.

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.