

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE FOUR MAJOR BANKS (SECOND REPORT)

#### Commonwealth Bank of Australia

##### CBA88QW:

***What mechanisms has the bank put in place to proactively identify patterns of misconduct or negligent conduct which results in negatively impacting the bank consumer?***

***Who is accountable at the senior executive level to ensure the implementation of these mechanisms (if any)?***

##### **Answer:**

Commonwealth Bank uses internal control mechanisms, management reporting and oversight activity to help identify patterns of misconduct or negligent conduct that could result in poor outcomes for consumers.

Management reporting provides leaders with integrated insights across incentive payments, customer outcomes, risk issues and sales metrics. This enables leaders to identify potential areas for further investigation relating to employee conduct, performance, and any potential risks and adverse customer outcomes.

In addition to management reporting and oversight activity, there are a number of other internal control mechanisms in place to prevent or detect misconduct. These include:

- requiring all employees to complete mandatory risk and compliance training;
- Conduct risk programs operating across a number areas of the bank;
- frontline sales observations and call monitoring programs;
- review mechanisms within sales teams that provide quality assurance of the suitability of products sold;
- detective controls in lending application systems and independent sampling of lending files to detect non-compliance with internal policies;
- internal monitoring and detection of serious misconduct by our employees, including but not limited to fraud, theft and conflicts of interest;
- regular promotion of our SpeakUP hotline and investigation of cases, with reporting to governance committees; and
- performance and remuneration assessments of all employees based on a balanced scorecard that factors in risk management, compliance, customer outcomes, Commonwealth Bank values and performance.

Commonwealth Bank operates a Three Lines of Defence model (as outlined in CBA87QW), under which:

- The Group Executives, who report to the CEO, own the risks within their business unit and are accountable for the effective implementation of the Group risk frameworks, including the internal control mechanisms listed above (Line 1).
- The business units are overseen by an independent risk function, reporting to the Group Chief Risk Officer, who establish and maintain the risk frameworks and provide review and challenge to their deployment (Line 2).
- There is further independent assurance provided by Group Audit and Assurance (Line 3).