HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS
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CBA01QON: **Mr HAMILTON:** That leads to my next question. Just going on from your comments, **is there some kind of differential you could give as to what you're seeing from renters to mortgage holders?** A lot of the talk has been about the impact on mortgage holders, but this would suggest in that bandwidth I think that would be mostly renters, in the 25 to 29?

Mr Cohen: Yes, probably. That's the age where you might expect people to move out of home, for example, move out of their parents' home, incur their own rent, food, energy, et cetera, costs. We issued a report in May around expenditure across the different cohorts, and our early observation was that particular cohort is probably impacted most by rental as well as taking on costs that perhaps in the past, before moving out, they haven't incurred.

Mr HAMILTON: Is there anything on savings in those demographics? It might seem a strange question at this point in time. You would assume everything is going to go up. The obvious question is the opportunity for home ownership of these people.

Mr Cohen: As a general comment, you would expect to see lower levels of savings generally the younger the cohort, as people start work and start accumulating savings. Obviously in the current environment with higher costs generally, energy costs, food costs, et cetera, you would expect those savings to reduce. We can take that on notice if you're interested and give you some more detailed breakdowns.

Mr HAMILTON: If you wouldn't mind, and whether there is any change or difference?

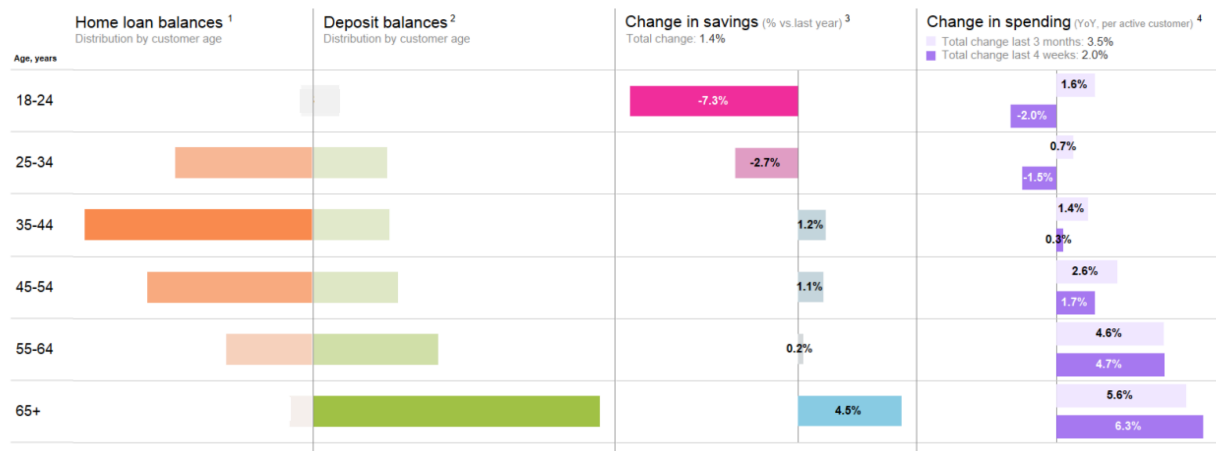
Mr Comyn: We can, yes. Mr Cohen touched on this. There are several reports that we'd happily furnish you with that breaks that down, and then we could find some of the cohorts where you can see the savings depletion and where it's most or least dramatic, and some of the regional or geographical differences as well.

Answer: The graphs below display the following data:

a) Graph 1 - Distribution of home loan and deposit balances, changes in rates of savings and spending compared to 12 months prior, broken down by age group as at 31 July 2023.
b) Graph 2 - Year on year change in spending per consistently card active customer over four weeks ending 30 July 2023 broken down by state and territory.
c) Graph 3 - Year on year change in the level of customer savings as at 31 July 2023 broken down by state and territory.

Graph 1

Intergenerational savings and spending (as at 31 July 2023)

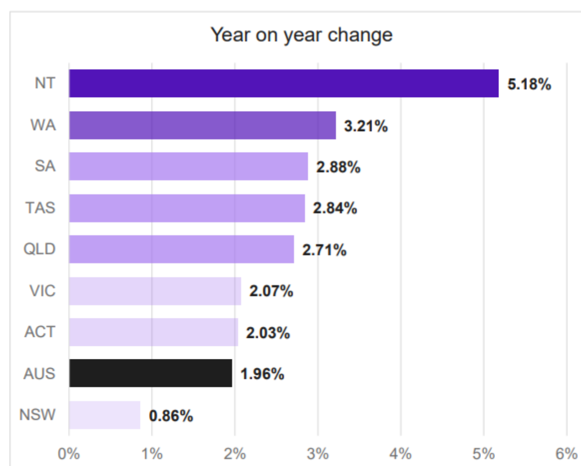


[1.] Principal balances net of offsets. [2.] Deposit balances exclude offset accounts. [3.] Savings include offset accounts and all forms of deposits (transaction, savings and term). Excludes all customers originated in the three years to reporting month. [4.] Consistently active CBA card holders spending on consumer debit and credit cards.

Note: Data is not adjusted for CPI and only includes Australian residents and CBA-brand personal products.

Graph 2

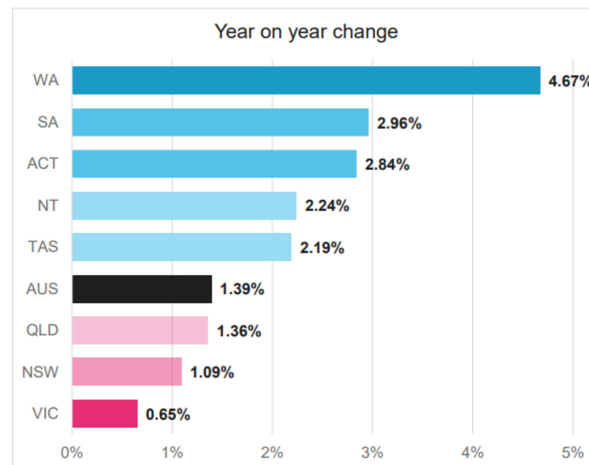
Spending YoY for 4 weeks ending 30 July 2023 (Australia)



Note: Spend per customer for consistently active CBA card holders spending on consumer debit and credit cards. Data is not adjusted for CPI and only includes Australian residents.

Graph 3

Savings YoY as at 31 July 2023 (Australia)



Note: Savings include offset accounts and all forms of deposits (transaction, savings and term). Excludes all customers originated in the three years to reporting month. Data is not adjusted for CPI and only includes Australian residents and CBA-brand personal products.

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CBA03QW: Disputes
a. How many cases that arose during the period covered by the Hayne Royal Commission remain outstanding?
b. How many cases has the bank had an involvement with Australian Financial Complaints Authority (AFCA)? Please provide a time series for the past 10 years.
c. How many of these cases remain outstanding?

Answer: a. Complaints received between December 2017 and February 2019 are recorded within the Group's complaint management system as having been closed. This data does not include instances where a customer may have subsequently commenced legal proceedings against the bank.

b. The Australian Financial Complaints Authority (AFCA), established on 1 November 2018, reports complaints data on a six-monthly basis. AFCA reported the following CBA complaints for the period 1 November 2018 to 30 June 2023:

Financial year	Complaints received by AFCA
1 November 2018 – 30 June 2019	4,551
1 July 2019 – 30 June 2020	7,693
1 July 2020 – 30 June 2021	6,736
1 July 2021 – 30 June 2022	6,982
1 July 2022 – 30 June 2023	9,290

Note: Complaints data relates to CBA Group including Bankwest, excludes Group Super.

The rise in complaints in FY23 is driven by various factors, including increases in complaints about disputed transactions and scams. The increase in complaints reflects a broader trend in financial firm complaints received by AFCA.

c. 715 (2.03%) CBA Group complaints received by AFCA (for period 1 November 2018 – 30 June 2023) remain outstanding as at 30 September 2023.

Of the 715 complaints, 97.5% arose during the last 12 months (1 July 2022 to 30 June 2023).

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CBA04QW: a. Which consultant(s) did you work with/engage in order to produce the most recent CPS220 report?
b. What were the key financial and non-financial risks identified in the report?

Answer:

- APRA's Prudential Standard on Risk Management (CPS 220) requires that an operationally independent person(s) perform a 'comprehensive review' of the appropriateness, effectiveness and adequacy of the Risk Management Framework (RMF) at least once every three years.
- KPMG were appointed to deliver the CBA Group's triennial review in 2023, and the report was delivered in July 2023.
- KPMG recognised CBA as a leading bank in relation to risk management practices. The Review concluded that the RMF is operating at a 'Mature' to 'Integrated' level across five assessed themes (culture, governance, accountability, framework, reporting) – "*CBA has put in place one of the most comprehensive risk management frameworks in Australia through its RAP (Remedial Action Plan) program*". The Group was assessed as 'Principally Compliant' with the requirements of CPS 220.
- The Review acknowledged the Group's significant multi-year investment to mature risk practices and to enhance the design and operational effectiveness of the RMF through the RAP. Key positive observations include:
    - a strong customer focus embedded in decision-making though the 'Should We' test;
    - improved Executive Leadership Team and Board oversight of non-financial risk, including elevating the role of compliance, a strong 'tone from the top' and insightful reporting leading to robust discussion;
    - increased risk and compliance specialist support and a significant uplift in the 3 Lines of Accountability (3LoA), resulting in clearer risk accountability and capability improvements;
    - risk policy simplification;
    - the introduction of 'Risk Stewards' and 'Chief Controls Officers' improving end-to-end oversight of risk practices, embedded within the business; and
    - risk behaviours in incentive structures, improving risk behaviours and decision making.
- 21 recommendations were provided to the Group for consideration in the Report under the KPMG themes – with clear ownership allocated to responsible senior employees and actions/due dates defined for the Must (1) and Should (14) recommendations.
- The most material recommendation related to the Group Risk Appetite Statement and was implemented as part of the 2023 annual Group Risk Appetite Statement review. The item recommended additional qualitative statements or quantitative measures for specific Level 1 Risk Types in the CBA Group Risk Taxonomy (which are more granular than APRA's definition of material risk types to be included in an ADI's

RMF at minimum): Investment Allocation & Delivery Risk and Reputational Risk, Capability & Culture risk, Legal Risk and Artificial Intelligence (AI) Risk.

- **Key risk areas discussed in the report are:**
  - **Technology and Cyber Risks**
    - **Managing the technology environment** – technology risk, cyber risk and data management risk continue to be the focus of large ongoing programs. KPMG noted the need for sustained focus to ensure appropriate funding, prioritisation, resourcing and oversight to be maintained, noting CBA is investing in its technology strategy to simplify, automate and enhance the technology control environment to uplift its overall operational resilience.
    - **Cyber** – KPMG noted CBA's appetite to invest further, noting the challenges related to acquiring and retaining capability, and called out CBA's continued focus on its multi-year program with significant progress made in FY23 with focused efforts to continue remediation of priority areas.
    - **Technology** – KPMG noted the significant progress observed in End of Support remediation, IT Service Management and Vulnerability patch management, as well as the additional focus on operational resilience, business continuity and testing, crisis management exercises, and ability to swap over Data Centre sites for key services such as the Enterprise Mainframe.
    - **AI** – KPMG noted the accelerated interest in and adoption of AI since late 2022, acknowledging the work to develop the strategy, principles, policies and assurance frameworks; and recommended considering the EU AI Act as part of the FY24 roadmap.
    - **Operational Resilience** – KPMG noted the establishment of the Operational Resilience Council in May 2022 to focus on operational and business continuity resilience elements of CPS 230, and improved focus on business continuity capabilities across the Group, including the number of scenarios and uplift in technology recovery capabilities (including leading an industry wide scenario to determine approaches to mitigate critical payment systems outages). KPMG recommended continued focus on the overarching program.
  - **Financial Risk** – KPMG noted CBA has an established mature framework to support its financial risks and is largely aligned with regulatory expectations and industry standards. KPMG suggested CBA continue to focus on improving compliance with elements of APRA's suite of financial risk prudential standards to support APS 113, APS 220 and APS 221. KPMG noted work underway to address data quality; control effectiveness and integrating systems to improve operating effectiveness, as well as the need to remain focused on ensuring adequate model risk management and investment in enterprise-wide stress testing to improve integration of financial risk strategies.
  - **Financial Crime Compliance (FCC) Risk** – KPMG acknowledged CBA's FCC risk is a 'Qualified' risk type through the Risk Management Declaration process

and the Board has an expectation that FCC risk will improve within the next year. KPMG noted Group Audit & Assurance's observation that delays have been driven by delivery dependencies on strategic system solutions, data limitations, complexity and volume of remediation work, and weaknesses in program management. The availability of subject matter expertise remains a challenge in managing Financial Crime risks.

- **Environmental and Social Risk –** KPMG noted the complex nature of environmental and social (E&S) risk has made embedding the risk type into the broader RMF challenging. Current risk management practices continue to develop to identify, monitor, measure, report and manage these risks in a consistent, scalable manner across the Group. KPMG acknowledged CBA's formalisation of E&S risk as a Level 1 risk type, and that the development of E&S risk management practices will continue through a multi-year program of work as regulatory guidance matures. Uplift to governance, financial and non-financial risk integration, risk identification and 3LoA capability should continue in addition to investment in scenario modelling and stress testing capabilities.

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CBA05QW: Branch closures

a. What factors are taken into account when deciding how many and which bank branches to close?
b. Does the bank consider the proportion of customers at the branch using online/digital banking?
c. Does the bank take into account how many people in the area rely on interactions in the branch for non-transactional purposes?
d. Does the bank's overarching efforts to reach net zero emissions factor into decisions around bank closures?
e. Please provide a time series for the past 10 years of how many banks have been closed (and opened – i.e. for a net figure), broken down by metro, regional and rural.
f. How many regional and rural areas are you aware of where your bank is the only branch presence?
g. Did any of your branch closures result in no branch presence at all after the closure?

Answer: a. The decision to close a branch is made after careful consideration across several factors which are tracked over many years. By way of example, CBA considers:

- Over-the-counter transaction volumes and trends.
- How local customers are currently accessing available banking services.
- Customer behaviours and characteristics, including the concentration of vulnerable customer cohorts in the local area.
- Customer type accessing the branch, i.e. retail and business customers.
- Proximity and offering of nearby CBA branches as well as availability of Bank@Post outlets in the area.
- Issues we have had with consistency of service. For example, issues related to staffing.
- The safety risk associated to our people and customers from operating in the location.
- Lease profiles of existing properties and requirements placed upon us by landlords.
- Opportunities and requirements to invest in nearby locations for refurbishment or service upgrades.
- Ongoing operating costs and costs associated with exit decisions.
- Advice from regional general managers, business bank, and other business units across the group.

The assessment of these factors helps us gauge how customers are accessing local banking services and whether any longer-term changes to demand require a change to our branch network.

CBA does not apply a specific metric that guides decision making in relation to how many branches should close.

b. Yes. Digital is now the primary service channel among 16 to 69 year olds. During the five-year period to 2019, over-the-counter transactions in metropolitan branches experienced an average decline of 46%, while regional and remote branches experienced a 42% average decline. These trends have accelerated since the pandemic.

c. Yes. Refer to response in part A.

d. No.

e. Our branch locations are defined in line with the Australian Statistical Geography Standard (ASGS) Remoteness Structure, which is recognised as a leading indicator of remoteness in Australia – and used by both the Australian Bureau of Statistics (ABS) and Australian Prudential Regulation Authority (APRA).

ASGS classifies 'remoteness areas' into five classes of remoteness which are major city, inner regional, outer regional, remote, and very remote. CBA classifies any branches falling into the latter four categories as 'regional'.

A time series of CBA Group branch numbers and location classification is presented below:

Date	Total branch number	Number of 'Major City' branches	Number of 'Regional' branches
30-Jun-23	728	429	299
30-Jun-22	801	493	308
30-Jun-21	875	549	327
30-Jun-20	965	612	353
30-Jun-19	1,013	643	370
30-Jun-18	1,081	698	383
30-Jun-17	1,120	726	394
30-Jun-16	1,130	730	400
30-Jun-15	1,147	745	402
30-Jun-14	1,146	744	402

As at 30 June 2023, the CBA Group has an additional 14 specialist centres that offer face-to-face banking services.

f. The CBA Group operates the 'last bank in town' in 30 regional areas across Australia, where there are no alternative branches within 10km.

g. Since 30 June 2017, there have been 12 instances where a CBA Group branch closure in a regional area has resulted in no branch presence within 10km.

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CBA06QW: Employment practices
a. Please provide a time series over the past 10 years of total employment at the bank.
b. What are the particular growth areas, for example cyber security, anti-money laundering and counter-terrorism financing (AML/CTF).
c. What proportion of staff are outsourced overseas?
d. How does the bank manage risks relating to outsourcing?

Answer: a. CBA Group total headcount figures reported in current and historical Annual Reports are provided in the following table.

It is important to note that total headcount over the nine-year period is not directly comparable year to year due to a number of divestments taking place from 2017 to 2021, which has partially offset growth.

Financial year	Total headcount (CBA Group)
FY15	52,605
FY16	51,120
FY17	51,779
FY18	51,371
FY19	50,482
FY20	48,167
FY21	49,922
FY22	53,056
FY23	53,754

Note: includes subsidiaries ASB (New Zealand) and PTBC (Indonesia).

b. The functions experiencing growth in headcount include technology (IT and cyber security), operations (financial crime), and customer service employees within retail and business banking.

c. Excluding subsidiaries in New Zealand (ASB) and Indonesia (PTBC), around 11% of CBA Group employees are located outside of Australia, of which 10% are located in India (as at 30 June 2023).

We maintain domestic call centres in Sydney, Melbourne, Perth, Brisbane, Hobart, Launceston, and Newcastle.

d. Our team members in India are CBA employees who have the benefit of CBA policies, processes, and support services. We don't consider the roles of our employees in India to be "outsourced" as described in the question. Our CBA India team members are a valuable part of the CBA Group. To deliver our strategy, we need access to world-class capability, and CBA India provides us with a large-scale pool of talent, direct access to world-leading expertise and an extended operating window.

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CBA09QW: When considering lending to businesses who are seeking loans to develop renewable energy projects, such as wind and solar fields, throughout each proposal's construction, operable lifetime and end of life remediation, do you consider the:

a. environmental impact?
b. impact on wildlife?
c. health impacts on residents in close proximity to each proposal?

Answer: All corporate lending decisions within our Institutional Bank are subject to an environmental, social and governance (ESG) risk assessment, which is refreshed on an annual basis.

Our ESG risk assessment tool plays an important role in our lending decision process by assisting front line bankers to identify and assess the environmental and social (E&S) risks that our customers are exposed to.

Relevant project finance transactions also follow the Equator Principles IV (EPIV) process requirements. We use the EPIV standards to assess, manage, mitigate and monitor environmental and social risks in applicable project-related financing and we report annually on our progress.

The ESG risk assessment tool is supported by a dataset of initial risk ratings across 10 key focus areas including: climate and energy; climate physical risk; water; pollution; biodiversity; human rights; labour rights and modern slavery; Indigenous rights; workplace health and safety; and anti-corruption and governance.

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CBA10QW: Assessing lending for renewable energy projects

a. Do you consider the carbon footprint in the manufacture and disposal of solar panels and wind turbines when assessing the suitability of a renewable energy project?

b. Do you investigate the source of rare earth minerals used to manufacture solar panels, wind turbines and batteries (used in electric vehicles and commercial and domestic energy storage)—taking into account potential abuses of human rights and child labour practices, which are commonplace in many developing nations—when lending to renewable energy projects which utilise solar energy?

Answer: a. All lending decisions within our Institutional Bank are subject to an environmental, social and governance (ESG) risk assessment, which is refreshed on an annual basis.

Our ESG risk assessment tool plays an important role in our lending decision process by assisting front line bankers to identify and assess the environmental and social (E&S) risks that our customers are exposed to.

The ESG risk assessment tool is supported by a dataset of initial risk ratings across 10 key focus areas including: climate and energy; climate physical risk; water; pollution; biodiversity; human rights; labour rights and modern slavery; Indigenous rights; workplace health and safety; and anti-corruption and governance.

Relevant project finance transactions follow the Equator Principles IV (EPIV) process requirements. We use the EPIV standards to assess, manage, mitigate, and monitor environmental and social risks in applicable project-related financing and report annually on our progress.

b. The risk of modern slavery and human rights abuses within the supply chain, including the manufacturing of polysilicon, is a focus during transaction due diligence.

Where reasonably practical, we work to assess and address the risks of modern slavery in our financing decisions, as reported in our annual Modern Slavery and Human Trafficking Statement. The Statement outlines the actions we have taken to identify, assess and mitigate modern slavery and human trafficking risks in our operations and supply chain.

As a standard practice, we will engage with renewable energy clients to ensure they understand the risks of modern slavery and that they have adequate processes and strategies to minimise the risk of modern slavery.

We expect our clients, suppliers and other business partners to identify, manage, monitor and redress any adverse impacts on human rights where their business is involved.

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CBA11QW: Project investment

a. Have you invested, or considered investing in, the proposed 'Sun Cable' project in northern Australia and/or the Chalumbin Wind Farm project? If so, was any consideration given to the long-term impact that such a large-scale project would have on the local ecosystem?

b. Have you invested, or would you consider investing in, projects to build out high-voltage transmission lines across Australia, in response to the retirement of fossil fuel power stations? If so, has an assessment been made on the ecological impact of these projects and what was the outcome?

c. Do you apply the same rigorous standards used to review applications for investment in proposals utilising fossil fuel to renewable energy projects?

Answer: a. We do not provide specific commentary with respect to our banking relationship with clients.

However, in the event we were to consider financing a renewable energy asset, a key requirement of the financing process would be to undertake thorough diligence, typically with third party technical consultants. Due diligence covers a wide range of areas including the risks and impact on the local environment from constructing a project of this nature.

We use the Equator Principles IV standards to assess, manage, mitigate, and monitor environmental and social risks in applicable project-related financing, whether it is fossil fuel or renewable energy projects.

Corporate lending for renewable energy clients includes an environmental, social and governance (ESG) risk assessment. The ESG risk assessment tool is supported by a dataset of initial risk ratings across 10 key focus areas including: climate and energy; climate physical risk; water; pollution; biodiversity; human rights; labour rights and modern slavery; Indigenous rights; workplace health and safety; and anti-corruption and governance.

b. We aim to support Australia's climate change goals and help finance a secure, affordable energy transition. This includes lending to sectors and businesses that are integral to Australia's energy transition.

In the domain of expanding high voltage transmission lines across Australia, we collaborate with various current and potential clients. These clients aim to strengthen the modernisation of grid infrastructure, facilitating the integration of more renewable energy sources into the National Electricity Market. This modernisation is crucial to support the increased adoption of renewable generation.

Similar to our approach in renewable energy projects, we would conduct thorough due diligence, evaluating diverse risks pertinent to transmission line infrastructure. This includes assessing the impact of construction activities on the local environment and communities.

c. Both fossil fuel and renewable energy projects need to meet the requirements of our Environmental & Social Framework and would be subject to the ESG risk assessment described above.