



Commonwealth  
Bank

# Action Plan in response to ASIC's review of school banking programs

December 2020

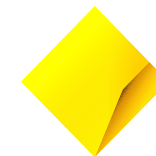
## Engagement with the review

Commonwealth Bank (CBA) has engaged actively with the Australian Securities and Investments Commission (ASIC) review into school banking programs in Australian schools since it commenced in October 2018.

We consider this to include:

- Welcoming the review on 18 October 2018;
- Meeting with ASIC on 18 December 2018 and presented pack on School Banking;
- Meeting with ASIC on 30 July 2019 to provide an update on School Banking;
- Meeting with ASIC on 18 October 2019 regarding financial wellbeing of children and youth, featuring a research presentation by a representative of the faculty at, University of Melbourne;
- Providing a covering letter and submission in response to ASIC's Consultation Paper on 31 October 2019;
- Meeting with ASIC on 19 June 2020 to discuss the preliminary findings outlined in ASIC's letter of 25 March 2020;
- Providing a letter and detailed Action Plan to ASIC on 31 July 2020 in response to the preliminary findings;
- Meeting with ASIC on 20 November 2020 to provide an update on progress against our Action Plan;
- Providing an updated Action Plan to ASIC on 27 November 2020;
- Providing a letter to ASIC on 4 December 2020 in response to the draft report; and
- Meeting with ASIC on 9 December 2020 to discuss the draft report.

This is in addition to providing all documents, data and information as requested by ASIC throughout the review, including 3 separate tranches of documents on 7 March 2019, 8 March 2019 and 5 April 2019.



## Effectiveness of the Program at improving savings habits and developing financial capability

CBA's School Banking program (the Program) reinforces the importance of regular savings, equips students with the knowledge of how to access and use a bank account, and provides structure for parents to support their children to save regularly.

We know that the Organisation for Economic Co-operation and Development (OECD) Program for International Student Assessment (PISA) results indicate that having a bank account is associated with higher financial literacy. Australian students who hold an account with a bank, building society, post office or credit union score 37 points higher in financial literacy than students without an account or who do not know what an account is.<sup>1</sup>

Our analysis also shows that children who participate in our School Banking program are more effective savers than other children of the same age. 97% of 5 and 6 year old school banking participants earn bonus interest for good savings behaviour in their first year of holding their bank account, by depositing without making a withdrawal in one or more month. This compares to only 54% of non-school bankers of the same age. In the second year of having an account, there is still a significant difference in the good savings behaviour of School Bankers vs non-School Banking participants, at 82% and 48% respectively.

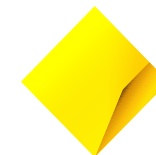
CBA acknowledges that between the time a child typically enters the program and adulthood, there are a range of impacts on financial wellbeing and financial behaviour. CBA has completed a review of all material to ensure all claims made about the Program's long-term benefits can be independently verified.

Feedback from parents, schools and previous participants also points to the effectiveness of the Program. We commissioned independent research in July 2018, which showed that 80% of parents with a child in our Program find it valuable, as it teaches children how to save, introduces them to banking and teaches responsibility. ASIC's own research indicates that 84% of parents with children participating in school banking programs are satisfied with the program. Consistent with this, public sentiment in responses released by ASIC as part of this review also indicate neutral to positive sentiment.

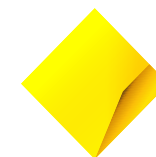
We have now completed work with the Melbourne Institute at the University of Melbourne which was increased CBA's understanding of the model of children's financial wellbeing. This will help CBA to apply learnings to our Program, and inform how we measure the success of all future programs.

| Horizon    | Proposed action  | Status as at December 2020  |
|------------|--|---|
| Short term | Undertake an end-to-end review of all current Program material to identify and remove any unsubstantiated statements about the impact of regular deposits on lifelong savings behaviours. This includes reviewing and updating physical materials, scripting, online resources and the CBA public website. | Complete. All digital School Banking materials have been updated to remove any statements about the impact of regular deposits on lifelong savings behaviours. Any future material will not include these references. |

<sup>1</sup> OECD, Program for International Student Assessment (PISA) 2018 Results, "Volume IV: Are Students Smart About Money?" (Database, Table IV.B1.6.6)



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| <b>Short term</b>  | CBA to conduct independent market research seeking feedback on current program from all interested stakeholders – students, parents, teachers, Principals, Parents & Citizens (P&C) Associations, and community groups etc.   | Independent research complete and insights used to inform other actions in this plan.<br>CBA will continue to regularly check in with key stakeholders to seek feedback.  |
| <b>Short term</b>  | Work with an external advisory group to formulate a robust and detailed blueprint for CBA's future financial capability offering for young Australians. This will include a transitional approach from current program to future target state, underpinned by a robust measurement and evaluation framework.  | The draft blueprint has been completed. We will look to provide more detail to schools and the community once we have confirmed the final blueprint and transitional approach.                                  |
| <b>Short term</b>  | CBA has requested to participate in the proposed ASIC Youth Financial Advisory Group including to provide subject matter expert (SME) expertise as required.  | Complete. A CBA executive is a member of one of ASIC's working groups on young people and money.  |
| <b>Medium term</b> | In the lead up to the 2021 Back to School Term 1, re-state CBA's ongoing commitment to youth customers, and acknowledge that work has commenced to transition our Program to a more holistic financial education program. The focus will be on financial education uplift, digital experiences and products and services (regardless of who a person banks with) as we transition towards an increasingly cashless society. | Currently underway – CBA will ensure that we publicly re-confirm our commitment in the lead up to Term 1 2021.  |
| <b>Medium term</b> | Commence phased rollout of financial capability blueprint. This will look at ways we can use educational content and digital enhancements to contribute to short term and long-term savings behaviours. We will ensure all program aspects are measurable and demonstrate impact.   | Currently working through our transitional approach for 2021 and beyond.  |
| <b>Medium term</b> | Establish ongoing regular engagement with ASIC about the changes being implemented to the Program.  | Started and continuing.   |
| <b>Long term</b>   | Publish CBA's research, evaluation processes and results across all facets of our Program. Continue to evolve and enhance the Program based on evaluation, insights and customer feedback.  | Started and continuing – Leveraging existing reporting for the Start Smart Program, CBA will create evaluation and success measures for any new programs to ensure we capture feedback and respond accordingly. |



## Contribution payments to schools

In ongoing discussions with ASIC, CBA confirmed a clearer approach is required to communicate information with the community about contribution payments to schools. While previously the information was provided to schools and parents as part of the program, the information on our public website lacked the level of detail the community expects, including the method of calculating contribution payments, the rationale for why contribution payments are made to schools participating in the program, and the total financial contribution to schools that complement fundraising activities. ASIC acknowledged that a recession in Australia was likely to impact parent fundraising means and that CBA either needed to be transparent with its methodology or explore other ways of contributing to schools.

In consideration of ASIC’s feedback, we have published our school payments rationale on CBA’s website, including a state-by-state breakdown of contribution payments made to schools. This is available at [commbank.com.au/sbinfo](http://commbank.com.au/sbinfo).

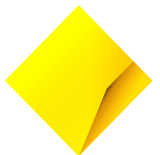
Our independent market research investigated alternative options to support schools, recognising that contribution payments are a significant fundraising mechanism for school communities, heavily relied upon to purchase equipment and supplies that improve the school experience for students. The research showed that there is an openness to reward participation in a financial education program, which builds engagement with students and encourages good habits that can benefit both students and schools.

Before the commencement of ASIC’s review into school banking, CBA had already made changes to our School Banking contribution payments framework in January 2018 in response to community feedback. Importantly, the payments CBA make to schools participating in our Program are now linked to the regularity of students’ savings and no longer to the monetary amount deposited by students. Our framework is not linked in any way to the number of new bank accounts created.

| Horizon    | Proposed action  | Status  |
|------------|--|---|
| Short term | Publicly disclose CBA’s contribution payments made to schools, the rationale for contribution payments and the method and total contribution amount paid on a state by state basis on CBA’s public website.    | Complete. CBA has updated our website at <a href="http://commbank.com.au/sbinfo">commbank.com.au/sbinfo</a> to improve transparency around details of current calculations for contribution payments. State-by-state contribution payment totals are listed and will be updated every financial year. |
| Short term | Include questions in the independent market research specifically asking School Principals and parents for their opinion on contribution payments and what other options they consider might be more suitable. | Independent research complete. Research showed that whilst schools appreciated any fundraising support, they would appreciate larger amounts in order to complete larger scale projects.  |



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| <b>Short term</b>  | Decide on an approach to reflect the administrative efforts of schools to run the program for 2021, including consideration to replace a contribution payment structure designed to incentivise schools to encourage children to make regular deposits, with a flat fee structure. | Deliberations complete. Contribution payment model to remain in 2021 while CBA evaluates the introduction of an alternate model to encourage participation in financial education beyond the number of deposits made.   |
| <b>Medium term</b> | All School Banking marketing collateral to include a disclaimer about the calculation method and rationale for making contribution payments to schools (or revised method). Develop FAQs for schools that they can share within the school community if required.                  | Currently underway – all relevant Back to School 2021 materials that refer to contributions will be updated with a link to more information on our website. We also continue to have FAQs available for our staff and volunteers who run the program with information on contribution payments included. FAQs on our website will also be updated in line with our 2021 content review. |
| <b>Long term</b>   | Continue to evolve the contribution payment options based on ongoing evaluation, insights and feedback (including as part of ongoing engagement with ASIC).  | Started and continuing – CBA will continue to evolve the model according to ongoing evaluation and feedback.  |



## Program materials

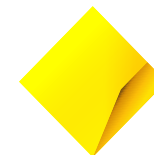
In our discussions with ASIC, CBA understood that the optional nature of the Program needs to be clearer in our communications with schools. This extends to the display of program materials at schools, participation in the rewards program, and the display of the Bank's logo on these items.

Specific questions were asked in our independent research to test the appetite of reward items with School Principals and parents. The research also investigated other possible avenues to incentivise children to develop positive savings behaviour. The research found that CBA is seen as a credible source of information relating to financial capability. It also showed that there is an openness for CommBank to reward participation in a financial education program, however any incentives should build engagement, encourage good savings habits and benefit both students and schools.

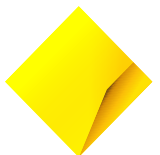
Research as recently as October 2020 shows that 81% of our School Banking Coordinators (volunteer parents, teachers and community members who administer the program in schools) are comfortable with displaying program material in their schools, and a further 15% are neutral.

We are reviewing and updating all material in the Program, in line with feedback from ASIC, parents, schools and community groups. There will also be changes to Program processes to ensure that schools only receive program materials upon request.

| Horizon    | Proposed action   | Status  |
|------------|---|---|
| Short term | Review all material, scripting and online resources to review statements made about the effectiveness of the Program. This review will also include the appropriateness of the use of the Bank's logo on material used in schools. We will update material to include a disclaimer to refer to the contribution payments made to schools and how they are calculated. | Complete – all live School Banking collateral has been updated. CBA is also in the process of conducting an end-to-end review of all marketing collateral to ensure that future materials remove any unsubstantiated claims, have no theme on illustrations and minimal ostentation (e.g. animation). |
| Short term | CBA will ensure we obtain clear consent (and ensure we continue to re-confirm the consent remains current each year) for all schools participating in the Program.  | Complete – advice received indicates that school deposits constitute consent into the Program. CBA will continue to confirm schools' ongoing relationship with us through volunteer/school handbooks, registration, proactive contact and engagement.   |



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| <b>Short term</b>  | During the independent market research, CBA will ask specific questions of School Principals and parents about what they would like to see in terms of marketing collateral. CBA will establish what they are comfortable with in terms of presenting this material in schools and to parents to ensure its appropriateness, and to ensure we have support for the material. We will review our current reward items and how these are presented to children as part of participation in the Program. | <p>Completed as part of the independent research. Future marketing materials will have no theme or illustrations and minimal ostentation (e.g. animation). In all communications we have emphasised going forward that the display of any marketing material is optional and at the discretion of the school.</p> <p>Results of engagement with school volunteers in October 2020 shows 81% are comfortable with our program material, and 15% are neutral.</p> <p>CBA will continue to regularly check in with schools throughout the year.</p> |
| <b>Short term</b>  | Gather and use research data to develop a set of guidelines for schools to be launched in 2021 about optional participation by schools in the Program and the display of marketing collateral at each school.   | Complete – CBA has requested feedback from School Banking Co-ordinators on the use of School Banking materials in their schools. CBA will also be updating communications relating to promotional material in schools, advising that the marketing collateral provided is not mandatory to use.  |
| <b>Medium term</b> | Launch new guidelines / considerations / checklists with all 2021 collateral issued to schools. Content will include reinforcing the optional nature of the use of Program materials at the school, through to suggestions on how schools can ensure they have transparency around fundraising contributions.   | Currently underway – CBA will send communications advising that use of marketing collateral is not mandatory and that use of materials is completely at schools’ discretion.   |
| <b>Long term</b>   | Continue to evolve the marketing of the Program based on evaluation, insights and parents’ and schools’ expectations and feedback.  | Started and continuing – CBA will ensure to regularly collect and respond to evaluation and feedback.  |





## Transparency of commercial interests

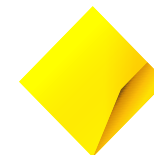
CBA's School Banking program is viewed by us as an important community investment and one we are very proud of. We consider young people having a bank account with a financial institution, whether ours or others, as a positive step towards financial wellbeing. OECD research indicates that having an account and knowing what an account is, is associated with higher financial literacy.

Each year, CBA invests approximately \$10m into the Program. We commit to being more transparent publicly about the amount we invest in education programs for youth customers.

CBA has engaged an external advisory group to help design a robust and detailed blueprint of how to best measure the effectiveness of all of our financial capability programs for students, which includes School Banking, Start Smart and any digital and online resources. A key part of this work is ensuring that future resources and programs are available to all students, regardless of whether they are CBA customers.

We will take the insights of the external advisory group review and look to determine the best future program design. We will also ensure that for those participating our Program, we are not putting greater administration burden on schools, teachers and volunteers.

| Horizon     | Proposed action   | Status  |
|-------------|---|---|
| Medium term | Make information about the intent and nature of our Program more widely available including publishing details of the costs associated with running youth programs annually along with any current impact metrics available. Include FAQs on public website addressing any specific questions.                        | In progress – our community initiatives are listed in CBA's Annual Report.<br>Going forward, we will also create general FAQs for any new programs that are rolled out. |
| Medium term | In the lead up to the 2021 Back to School period, we intend to re-state CBA's ongoing commitment to Youth bank customers, and acknowledge the work that has commenced to transition our Program towards financial education, alongside digital experiences as we transition towards an increasingly cashless society. | CBA will ensure that we publicly re-confirm our commitment at the most appropriate time and share further details on our transitional approach once confirmed.          |
| Medium term | Commence a graduated rollout of financial capability blueprint action items that are measurable and demonstrate impact.   | In progress and on track.   |
| Long term   | Share publicly all metrics developed to showcase positive impact of our Program on youth financial capability.  | CBA will ensure to regularly share metrics and results of our programs.   |



## Response to outcomes

In response to the outcomes of ASIC’s review, and the recent decision by the Victorian Government to ban bank-run school programs for government schools, CBA commits to a number of actions.

| Horizon     | Proposed action   | Status  |
|-------------|---|---|
| Medium term | Communicate with Victorian government schools to provide support and information to wind down the program at their school for 2021. | In progress – we have communicated with schools regarding the government decision, and the CBA School Banking team will continue to work with affected schools and provide information to wind down the program in line with the Government’s decision.             |
| Medium term | Work with schools to embed the guidance provided in the annexure to ASIC’s report.  | In progress – CBA has engaged ASIC to seek clarity on the best way to support and communicate with schools to ensure they can effectively embed ASIC’s guidance principles. CBA’s School Banking Specialists will work with schools in 2021 to embed this guidance. |

