

General Banking Corporation Social Condition Report 2020

February 2021



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Key Terms in This Report

Term	Explanation
AI	Artificial Intelligence https://en.wikipedia.org/wiki/Artificial_intelligence See Signal Analysis also in Section E of this report.
APRA CBA Report	APRA CBA Prudential Inquiry into the Commonwealth Bank of Australia https://www.apra.gov.au/media-centre/media-releases/apra-releases-cba-prudential-inquiry-final-report-accepts-eu
CPS 220	APRA prudential standard on risk management https://www.apra.gov.au/sites/default/files/cps_220_april_2018_version.pdf
IR	Integrated Reporting http://integratedreporting.org/
KSG	Key Social Group These are the key groups in society that GBC deals with – see Section D of this report
KPI	Key Performance Indicator Used conventionally to help assess individual performance,
KRI	Key Risk Indicator Used in risk management as an indicator of the current level of a particular risk
KRS	Key Risk Sensor A more forward-looking concept than many KRIs. It focuses on the underlying risk drivers so that the likelihood of future adverse outcomes can be better assessed.
Relational Analytics	A methodology for assessing relationships https://www.relational-analytics.com/background/
RMS	Risk Management Strategy A written strategy for identifying and managing risks, required by APRA under CPS 220.
Royal Commission	The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry 2017-2019 https://financialservices.royalcommission.gov.au/Pages/default.aspx
SCR	Social Condition Report This document is one such report.
Signal Analysis	A general descriptor for techniques for analysing human signals. This includes the idea of sentiment analysis https://en.wikipedia.org/wiki/Sentiment_analysis See Section E of this report
Social Risks	A class of risks which are a function of prevailing social attitudes and norms https://actuaries.asn.au/Library/Miscellaneous/2018/TheDialogue4SocialRisksWEB.pdf

Section A: Introduction

This is the second annual Social Condition Report (SCR) for GBC, following a trial of the concept for the 2019 year. The first report was provided in the wake of the **Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry^A** (the Royal Commission). This report focuses on progress since the Royal Commission and is more comprehensive and forward looking.

It is intended to help with the management and governance of GBC by providing analysis of and insights into the relationships GBC has with the society within which it operates. It also provides recommendations for improvement in those areas and for supporting GBC's Purpose and Strategy.

The Social Condition Report was introduced, and its broad content and format agreed, following recommendations from the Social Risk Officer in 2018. Its value in aiding GBC to respond to the findings of the Royal Commission and the APRA CBA Report was subsequently acknowledged in 2019, and it was refined in this light.

The purpose of this SCR is to

- Assess GBC's social condition and associated risks
- Measure GBC's social goodwill/capital
- Recommend how to build and protect GBC's social goodwill/capital

The report has been produced for the benefit of senior management and the Board. We expect it to be of interest to ASIC and APRA, as it addresses areas of relevance to both regulators. We expect they would see the SCR as a positive development and may want to discuss its findings with GBC. We hope their feedback would be helpful for future development of the concept.

This SCR has been prepared by the GBC Social Risk Officer, with input from each member of the Group Executive Team. The SCR draws on relevant parts of work completed for other purposes (e.g. market research), adds original work and draws it all together to give a comprehensive view of the quality and value of key social relationships and associated risks. It also makes recommendations to manage GBC's social condition.

External resources have been used to provide support in various ways. These are acknowledged in the relevant parts of the report.

^A <https://financialservices.royalcommission.gov.au/Pages/default.aspx>

Section B: Executive Summary

GBC's relationships have strengthened in some areas over the last 12 months (e.g. with Wealth customers), but in others there has been a marked decline (e.g. with employees). . The areas of improvement partly reflect the actions taken in response to the first SCR. Overall progress, however, has been disappointing and this reflects how challenging it is to successfully manage GBC's various relationships.

In our opinion, the overall state of GBC's social relationships, and GBC's overall level of social risks, are at an "amber" level.

We have made multiple proposals to better manage our key relationships and are confident that significant progress can be made with concerted and sustained action over coming years.

The rest of this Section of the SCR summarises the results of our work.

Social Relationships - Quality

Using various methodologies, we have assessed the quality of the relationships between GBC and Key Social Groups (**KSGs**).

Signal Analysis^B (explained later in this report) has been applied to various interactions between GBC and certain KSGs.

Relational Analytics^C (explained later in this report) has been used to analyse the relationships with a range of KSGs, where appropriate drawing on the Signal Analysis work.

We have also drawn on previous employee culture work to help assess the relationship with the employees, which has flow-on effects to GBC's relationships with customers.

^B Sentiment Analysis https://en.wikipedia.org/wiki/Sentiment_analysis

^C Relational Analytics <https://www.relational-analytics.com/>

TABLE A – Summary of Relationship Analytics & Signal Analysis

		General Banking Corporation	
		Relational Proximity	
		2019	2020
Commercial / Direct Relationships	Customers		
	<i>Retail</i>	48%	45%
	<i>Business</i>	52%	50%
	<i>Wealth</i>	50%	57%
	Employees	65%	48%
	Suppliers & Partners	61%	61%
	Shareholders	58%	58%
	Public		
	<i>Ex-customers</i>	27%	26%
	<i>Other</i>	37%	38%
	Regulators	50%	42%
	Politicians & Bureaucrats	28%	41%
	Media	26%	36%

Comments on Relationship Quality

Table A summarises the assessment of the quality of relationships GBC has with various social groups, assessed using two complementary methodologies explained later in the report. This shows there have been some unfavourable movements and the overall quality for some groups is quite unsatisfactory.

The Table draws a distinction between those groups who have a commercial relationship with GBC and those that have a non-commercial relationship. GBC has much closer relationships with the former than the latter, and arguably has more influence over the quality of the relationships. Table A results support that general position, with low scores for the non-commercial relationships.

There have been unfavourable changes over the year in a number of areas, and absolute values remain low in others. Key points from the analysis were:

- Last year employees felt strong alignment with where GBC’s direction, and in particular its Purpose and strategy. However, Signal Analysis is telling us that many employees are now starting to feel like the new strategy is being given lip service.

- While employees relate well to the GBC Espoused Values, they do not feel they represent the true values within GBC.
- Relationships with retail banking customers are starting to display some of the loss of alignment being observed in the relationship with employees.
- Small businesses are disappointed that GBC has not shifted its attitude towards the use of homes as security. They are finding it more difficult than ever to get access to reasonably priced credit, and are generally feeling powerless in their relationship with us.
- Wealth customers appreciate our major consultation program and the resultant changes to financial advisor remuneration.
- Some shareholders remain unhappy with the Board and management and have not bought into the relationship-focused strategy. Others, particular newer shareholders, are supportive of GBC's direction.
- Relations with regulators have deteriorated, primarily due to their change in 'regulatory posture' in the aftermath of the Royal Commission, and our struggle to adapt to that change.
- Last year our greatest areas of concern were our relationships with politicians, bureaucrats and the media. These all bounced back materially in 2020 as their attention has shifted elsewhere.

There remains considerable need for further progress before GBC's target levels of relationship quality are met.

Social Relationships - Measurement

It is helpful to think in terms of social capital being provided by each KSG which in turn creates value in the form of an intangible asset for GBC, which we call social goodwill.

So social capital and social goodwill can be seen as two sides of the same coin.

We have used a methodology we have developed in-house to value GBC's various social relationships.

The first step was to identify a portion of GBC's market value to attribute to social relationships. This enabled us to establish the broad magnitude of social relationship value. This necessarily is measured in dollars.

Secondly, we used the methodologies mentioned above to measure the quality of the relationships with the various KSGs. We then calculated a weighted average measure across all KSGs. This is useful for assessing the overall quality of the relationships in absolute terms, for tracking changes over time and for the effectiveness of actions taken to improve relationships. The weights given to the various KSGs are based upon their relative strategic significance to the ongoing ability of GBC to achieve its mission and financial outcomes.

Establishing Magnitude

Our purpose here was not so much to try to accurately value GBC’s social goodwill, but to give an indication of its overall magnitude.

We estimate that total social goodwill for GBC is worth about \$5 billion as at the end of 2019, down from \$10 billion at the end of 2015.

This suggests that social goodwill is firstly a very significant asset, and secondly it can be easily lost. It is worthy therefore of close management and Board attention. It should be managed and nurtured as other significant assets are.

Measurement

Having established the broad magnitude of social capital, we then turned our attention to assessing the relationships with the various KSGs.

The results of our assessments for the various KSGs are as follows:

TABLE B – Summary of Relationship Measure

General Banking Corporation	Relational Proximity®	Strategic Significance	Social Goodwill Contribution
	2020	2020	2020
Customers			
Retail	45%	17	8
Business	50%	10	5
Wealth	57%	5	3
Employees	48%	15	7
Suppliers & Partners	61%	5	3
Shareholders	58%	15	9
Public			
Ex-customers	26%	2	1
Other	38%	3	1
Regulators	42%	5	2
Politicians & Bureaucrats	41%	15	6
Media	36%	8	3

GBC's Social Goodwill Measure (2020)

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Comments on Social Goodwill Measure

The overall Social Goodwill Measure is a new indicator of the overall health of GBC’s social relationships. Our intention is to use the Social Goodwill Measure as the primary way of monitoring the current status of, and movement in, GBC’s overall social relationships.

The current score of 47 is not particularly high, indicating that there is much that can be done to improve social relationships over the coming months

and years. We have set an interim informal benchmark of 58 in the medium term, to be reviewed more thoroughly next year.

Social Relationships – Risks

Progress is being made in assessing and managing social risks, but significant weaknesses remain. These are the more significant issues:

- True Values risk: Notwithstanding the high level of in-principle support for the Espoused Values, a significant minority of both management and employees believe that in-practice support is weak in a number of areas.
- Litigation risk: Society in general is becoming more litigious, and the legal profession increasingly regards financial services litigation as a fruitful area of work.
- Political opportunism risk: in the aftermath of the Royal Commission this risk has increased to high levels. This will take time and effort to address properly.
- Fake News risk: As pressure continues to mount on conventional media from the rapid evolution of alternative news sources (such as Facebook), it is quite possible that conventional media will seek to use sensationalism to attract readership. Stories about poor behaviour – real or perceived – by financial institutions are likely to continue to be prominent.
- Insights risk: Work has commenced to improve GBC's capabilities to understand social attitudes and expectations, their trends and how they might change. However, all of this work is still in its early stages of development, and much remains to be done.

Conclusions

We have drawn the following broad conclusions:

- The GBC Reform Plan was initially well-received internally, but levels of cynicism have increased significantly. This is partly due to a perception that GBC is not living and breathing the Reform Plan (e.g. with certain product pricing). This not only affects the employee relationships, but has flow-on effects to the customer relationships.
- There are also multiple concerns with employee culture and deteriorating relations with employees more generally, particularly in specific parts of the business.
- There is an inconsistency between the views of Wholesome Life Insurance (which provides life insurance products for GBC) and GBC's in-house financial planners and employees. Mortgage brokers consider GBC's interests are not aligned with theirs.
- The analyses suggest that relationships need significant improvements in a number of areas (apart from with employees), in particular with retail banking customers, Wealth customers, and politicians.

- The market, the media and politicians remain very sceptical about GBC's rationale for, belief in and implementation of the Reform Plan. Much work is needed to address this.
- Social risks are not yet well understood or managed, and much work remains to be done here also.
- Social goodwill/capital and its importance is not yet well-understood or managed, but considerable progress has been made this year.

All of this indicates that GBC's social condition is far from optimal. On the other hand, there are clear opportunities for improvement, with identified actions that can be taken in the short term.

Recommendations

Recommendations have been made throughout the report, and are listed below:

Employees

- Understand the root causes of the broken link between senior and middle management. Signal Analysis should be used to help identify any inconsistencies between the GBC Purpose and actual behaviours, decisions or communications.
- Develop an action plan to re-build those relationships. This should include the ongoing use of Signal Analysis and associated personal reporting to "nudge" employees to better engage with others.
- Re-engineer the relationships that our frontline teams have with other parts of our business, including introducing new performance objectives
- Conduct an exercise to thoroughly understand prevailing negative or cynical attitudes, including the underlying drivers, and to identify the sections of the business where the greatest challenges lie.
- Develop a program to develop a deeper understanding among employees of the GBC Purpose and Strategy and their rationale. This program would involve two-way communication and make use of the Relational Analytics and Signal Analysis methodologies.
- This program should include gaining the support of those identified as "positive culture carriers" in changing attitudes and behaviours.
- Maintain a regular program of Signal Analysis of employees, so that a comprehensive picture of ongoing sentiment and how it is changing is maintained, with actions taken in response.

Customers

- Develop a program to identify those customers who have had particularly poor experiences and then support them in a way that turns them into advocates.
- Apply lessons learned from the positive relational turnaround in relationships with Wealth customers to the emerging challenges with Retail customers.

- Apply Signal Analysis and/or use focus groups with business customers to help understand the perceptions of power imbalance in this relationship. Be prepared to take action based on what we uncover.
- Maintain a regular program of Signal Analysis of customer interactions so that a comprehensive picture of ongoing sentiment and how it is changing is maintained, with actions taken in response.

Suppliers and Partners

- Review GBC's approach to life insurance in the context of the GBC Purpose and Strategy, and seek products that better align.
- Do a thorough review of mortgage brokers' needs vs GBC capabilities and take action accordingly. Conduct Signal Analysis of interactions with brokers.

Shareholders

- Explore new ways of reporting to the market each 6 months, to track progress against our Purpose and Strategy.
- Explore ways to encourage an influx of new shareholders who are aligned to our Purpose.

Wider Community

- It is unlikely that the embedded cynicism will be overcome with conventional marketing activities. Instead implement a program which highlights how GBC's Purpose is being supported by GBC activities.
- Explore partnerships with trusted organisations and community groups

Politicians

- Develop and implement a fresh politician and bureaucrat relationship plan aimed at (a) their current points of concern, (b) GBC's Purpose and Strategy and its alignment with community interests and (c) building a sense of continuity and momentum, making plans for how to work together on common interests.
- Develop and implement an education plan for all senior management having interaction with politicians and bureaucrats aimed at how to best convey GBC's position to them – to be delivered by specialists in the field.
- Review the skills needed within GBC for dealing with the politicians and bureaucrats and address any gaps.

Regulators

- Share this SCR with ASIC and APRA and seek their feedback and questions, surfacing and responding to any doubts or reservations.
- Conduct a deep analysis of ASIC and APRA expectations in the "new world", with specialist help.
- Develop and implement a fresh regulator relationship plan aimed at (a) their current points of pressure and (b) GBC's strategy and relationship management plans.
- Develop and implement an education plan for all employees having interaction with the regulators aimed at (a) giving a deep understanding of the priorities of each regulator and (b) how to best convey GBC's position to them

- Review the skills needed for dealing with the regulators and address any gaps.

Media

- Review the skills needed within GBC for dealing with the media (including social media) and address any gaps.
- Develop and implement a program of education of key media commentators about the GBC Reform Plan and its progress.
- Identify a select, small group of commentators and brief them regularly on matters of importance.
- Understand the specific issues associated with the Mega Media relationship and seek expert assistance to build that relationship into the future.

Social Capital/Goodwill

- Continue to develop the methodology outlined in this paper to assess and manage social goodwill/capital.
- Develop social stress scenarios with input from the Board for future analysis.
- Develop a methodology for better understanding the volatility of the various relationship values, to better understand how quickly they might change, and thus how they might better be managed.
- Assign dedicated resources to help with this development and to do more sophisticated calculation and analysis.

Social Risks

- Continue to develop social risk assessment and management capabilities.
- Include commentary on social risks in quarterly reports to Board from CRO.
- Develop and implement mitigation and management plans for each social risk.

The Outlook

The overall quality of relationships is well below GBC's desired position. Correspondingly, social goodwill has considerable scope for improvement.

If the Recommendations are implemented, then we would expect very significant gains over the next three years, with noticeable improvements over the next 12 months. This will require real commitment and a concerted effort across GBC.

Section C: The GBC Business

GBC is a large financial conglomerate, with a major bank at its core. The bank provides deposit, lending, credit card, foreign exchange, institutional banking and related services to the retail and commercial markets. It also provides a range of non-banking financial services (referred to as Wealth business) either produced by GBC group or provided by selected third parties (e.g. life insurance products from Wholesome Life Insurance Ltd.). The Bank provides integrated service and information for all product holdings and service rights.

Its operations include various ways of interaction with the society it services – in particular telephone, digital chat, phone apps, bots (using AI as appropriate), website, and store-front. For larger retail customers and commercial clients, it provides nominated relationship managers.

It operates exclusively in Australia.

The GBC Reform Plan

Following the appointment of a new CEO and other changes to senior management in 2018, GBC started a process to reform its operating model. The Royal Commission in 2018/19 gave insights and impetus to help with this.

In the aftermath of the Royal Commission most financial services organisations will have engaged in some serious introspection and committed to various changes. In particular, many will have made a decision to give more importance to the interests of customers. In some cases, this will result in little more than management platitudes; in others, there will be considerable difficulty in translating good intent into fundamental change in culture and capabilities; in still others, a more profound change will happen.

GBC has decided that it will not just increase the attention given to the interests of customers, but it will turn traditional thinking on its head, and drive its business around the management of relationships with its key social groups.

This approach is not some sort of altruism, placing customer interests ahead of making money; rather it is based on a hard-headed decision that deep capabilities to manage relationships will result in significant strategic advantage.

This thinking evolved into *The GBC Reform Plan*, which was developed by management and endorsed by the Board in 2019.

Under the GBC Reform Plan, there was a fundamental rethink of GBC's purpose and its desired place in society. In turn this led to new objectives and strategy. In particular, the approach to customer relationships was fundamentally changed from a somewhat superficial treatment to being core to the success of GBC. There also was a strong emphasis on building and managing relationships with other social groups.

This new thinking is captured in a formal sense in the statements set out in Appendix C.

In formulating GBC's Purpose, there were two specific considerations:

- the Purpose should reflect GBC's desired position in the community; and
- the wording should be understandable, completely plausible and attractive to employees and to customers

Key elements of those statements for the purpose of this report follow:

GBC's vision:

- GBC ... will be the **most highly-regarded ... for the quality of relationships ...**
- GBC will be **considered a crucial member of society and contributor to the economy.**

GBC's Mission:

- to provide effective and efficient banking and related services ... in a way that provides a good return on capital to shareholders while operating **within clear and thoroughly understood risk boundaries and surpassing community expectations.**

GBC's Purpose:

- to **positively influence the development of Australia's society and economy** by providing competitive, effective and fair financial services which **surpass the community's needs and expectations.**

GBC's strategy:

... place **at GBC's core the quality of its social interactions** with its customers and the wider community in which it operates.

... **excel in monitoring, understanding and responding to its customers' needs and views**, as well as attitudes in the wider society.

... **communication with its customers and its interactions with society will be of fundamental importance ...**

... services and products ... technological developments ... society's attitudes and needs for new services ... multiple methods for dealing with GBC ... anticipated needs ...

... **'get to know' customers** ... support their purposes and goals.

... **build a long-term 'story'** with each customer ...

... **risk management skills will be of the highest standard.**

GBC's Place in Society

Consistent with its vision and strategy, GBC aspires to strong and highly-regarded relationships with its customers and with the Australian community. This goes well beyond conventional customer service. Rather, GBC recognizes that it is only able to sustain a strong, viable and growing business with the explicit and implicit support of the communities in which it operates.

Indeed, GBC has formed the view that this is a potential source of competitive advantage – that if it is able to build better quality relationships than its competitors then this will provide real benefits to GBC.

This is sometimes referred to as a *social licence* given by those communities; however, GBC does not think of its relationships in terms of a “licence” (actual or implied). Rather it regards trust and mutual respect as the drivers of support from the community, and it recognises that these are the bedrock of the goodwill arising from community support.

GBC aims to develop high quality relationships with all of the key social groups with which it interacts.

This in turn will build value for shareholders in the form of social goodwill backed by social capital.

The implications for customer trust and respect are deeply considered in designing its products and services, and in how employees are trained, and this forms the very essence of its approach to its business.

GBC has an absolute intent to be a good citizen and wants this to permeate all interactions with employees, customers, regulators and others.

To help guide employees, there is regular training and communication about expected behaviour and attitudes, and their importance to GBC and its place in society.

GBC has laid down a set of written values which employees are expected to support in everything they do. They are referred to as GBC's *Espoused Values* because GBC acknowledges that in practice behaviours will not always be consistent with those standards and it will take time for them to be fully embraced. To ensure they are not given lip service, there is ongoing training and discussion for employees about the importance of these values and how they should translate into behaviour and attitudes in their work.

The Espoused Values are:

- Humility
- Integrity
- Openness

- Fairness
- Innovation
- Quality

These values are assessed against community expectations on a regular basis, both as to their appropriateness and GBC's adherences to them. The results are provided to employees, together with management's assessment of the results, and any steps management considers should be taken as a consequence. Signal Analysis (explained in Section E) is used as the primary means of getting insights into the true values shown by employees in their work.

Section D: Social Relationships

GBC operates in the Australian society and market. Axiomatically this involves many different types of relationships with what GBC calls key social groups (KSGs).

The GBC strategy makes clear the importance that GBC places on the quality of the key relationships. This in turn means that GBC must have a deep understanding of these relationships and must build and nurture them with sensitivity, insight, skills and intentional investment.

To do this successfully, it must have the necessary capabilities, attitudes and culture. This has implications for both human and system resources.

Some parts of society have a commercial/direct relationship with GBC; others have a more remote relationship. GBC has a naturally much closer relationships with the former than the latter, and arguably has more influence over the quality of the relationships.

The KSGs are listed below, broken into those two broad groupings:

KSGs with a commercial/direct relationship with GBC

Some members of society have some sort of commercial/direct as well as a social relationship with GBC. The quality and nature of the social relationship is inevitably linked with the commercial relationship.

Customers

Customers form the backbone of the relationship with the community. The quality of these relationships is central to the success of the GBC business and in meeting its Purpose.

There are three distinct groups: retail banking, retail Wealth and business customers.

Employees

Open and healthy relations with employees of any company are important. In GBC's case, this is doubly so because of the strategy and the importance placed on the quality of its social interactions with its customers and the wider community. Employees must believe in and support the strategy for it to be effective, and this will only happen if an open, trusting and aligned relationship is in place between employees and management.

Business Partners

GBC's business involves business relationships with many other organisations. In some critical cases, this involves the provisions of products and services under GBC's brand or with its endorsement. In all cases, these business relationships must strongly support GBC's strategy. For this to be the case, the quality of such relationships must be of the same high standard that GBC seeks in its direct customer relationships. Some business partners such as mortgage brokers and financial advisors are influenced by their relationship with GBC in their interactions with GBC customers, and so their views can have influence on how customers perceive GBC. Many of their employees are also GBC customers.

Shareholders

Shareholders look to GBC to deliver strong financial performance in the form of dividends and share price appreciation. Their perspective and their focus are therefore different from others.

Having said that, shareholders often will also be customers, and GBC needs to understand and manage this dual relationship. It does so consciously, and its formal communications reflect this.

KSGs with an indirect relationship with GBC

Some members of society, while they have a social relationship with GBC, have no commercial/direct relationship. Rather, they have an indirect interest in GBC's activities.

Wider community (including ex-customers)

The GBC strategy relies on its relationship with the communities in which it operates. A poor relationship with non-customers would impede the execution of the strategy. With the findings and recommendations of the Royal Commission, building a trusting relationship with the wider community is a challenge, but is also critical for GBC. This is partly dependent on GBC's broader role as a corporate citizen, including its contributions as a taxpayer and its key role in the financial system more generally.

Ex-customers form a distinct subset of the wider community in which GBC operates. They have had direct experience of GBC and its services, and are likely to have views that reflect that experience (whether good or bad) and may influence the views of others in the community.

Government and other politicians

Financial services, and banking in particular have close attention paid to them by the Government and politicians more generally. The reason for this is clear – banks and other institutions in the financial services sector enjoy the privilege of managing other people’s money, and at the same time they are critical threads in the fabric of the economy. Management and shareholders enjoy financial benefits that flow from leveraging the money of others. All of this poses risks to the financial system and to the financial welfare of the community. Furthermore, the government will be sensitive to the experience of customers as voters and will be alert to the importance of the industry to the financial system more generally. It will also want to avoid surprises that could adversely reflect on the industry or on government.

It is therefore critical that the government is kept fully informed of GBC’s intent and strategy, and the quality of its relationship with the community. GBC should also seek to understand the perspectives and motivations of the government and politicians so that misconceptions on the part of the politicians and blind spots for GBC can be addressed.

Regulators

Because of the political importance of its performance and because prudent and fair management of its financial needs is critically important to members of the community, society has judged that strong regulation is necessary.

Open and constructive relationships with the regulators are thus vitally important to both the regulators and to GBC. GBC has dedicated relationship managers who have the necessary business knowledge and seniority to ensure the regulators are fully and appropriately informed of any matters of relevance. Equally, GBC is careful to ensure that the views of the regulators are well understood at the highest level within GBC.

Media

The traditional media inevitably plays an important role in the public’s perception of GBC. GBC needs to maintain an active and healthy relationship with major media companies, with the primary aim of ensuring they have a clear understanding of the facts in any story involving GBC.

Social media has assumed a very important role in the management of relationships with society and GBC must be able to understand and interact with social media accordingly. This requires very particular skills

Relationships with each of the above KSGs is considered in more detail in the next Section.

Measuring Relationships

As Western economies have moved away from a traditional manufacturing base, intangible assets as a proportion of total assets have increased dramatically. Often these intangible assets are not captured in the company's accounts (typical exceptions being intangibles which have been purchased). However, a comparison of market capitalization with net assets can provide real insights, as shown here:

FIGURE 1

The rise of non-financial assets, and non-financial risks

COMPONENTS of S&P 500 MARKET VALUE



SOURCE: INTANGIBLE ASSET MARKET VALUE STUDY, 2017

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This is increasingly being recognized in international developments for reporting by companies. The concept of Integrated Reporting^D illustrates this well.

GBC's Social Goodwill/Capital

For any listed company, there will be a difference between its market capitalization and its net assets in the accounts. Sometimes net assets will include intangible assets that have been recorded in the accounts. The excess of market value over net assets is a measure of other intangible assets.

^D Integrated Reporting Framework <http://integratedreporting.org/resource/international-ir-framework/>

We have estimated the breakdown in GBC's capital backing assets on the balance sheet and other intangible assets.

During the last year, we conducted a series of executive workshops to estimate the value of our different types of capital over recent years. We considered information from the accounts, profit drivers, market capitalization and reasons for movements in that value.

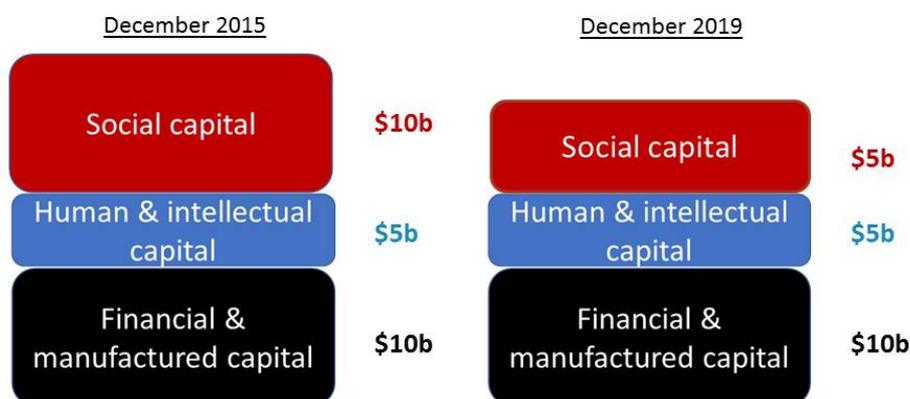
As at the end of 2015, our total market capitalization was \$25b, and the value of our tangible capital (financial and manufactured) was \$10b, leaving \$15b to be apportioned among our intangible capitals (social versus human and intellectual).

To help with this apportionment, we considered a range of scenarios, including the loss of 50% of our social capital, versus the loss of 50% of our human and intellectual capital. We considered that the loss of social capital would be much harder to rebuild, and would have a more sustained and greater impact on our ability to generate revenue and profit and accomplish our mission. We estimated it would have double the longer-term impact of a loss of human and intellectual capital. Hence, we estimated the value of our social capital at \$10b and human and intellectual capital at \$5b.

At the end of 2019, our market capitalization had fallen from \$25b to \$20b, and our tangible capital remained unchanged at \$10b. Our assessment is that our workforce and human capital (and our intellectual capital) were roughly unchanged, in terms of both quantity and quality. Thus, we conclude that it is our social capital that has lost value, decreasing from \$10b to \$5b over the four-year period, with most of the fall occurring during the period surrounding the Royal Commission.

FIGURE 3

Estimating value of social goodwill / capital



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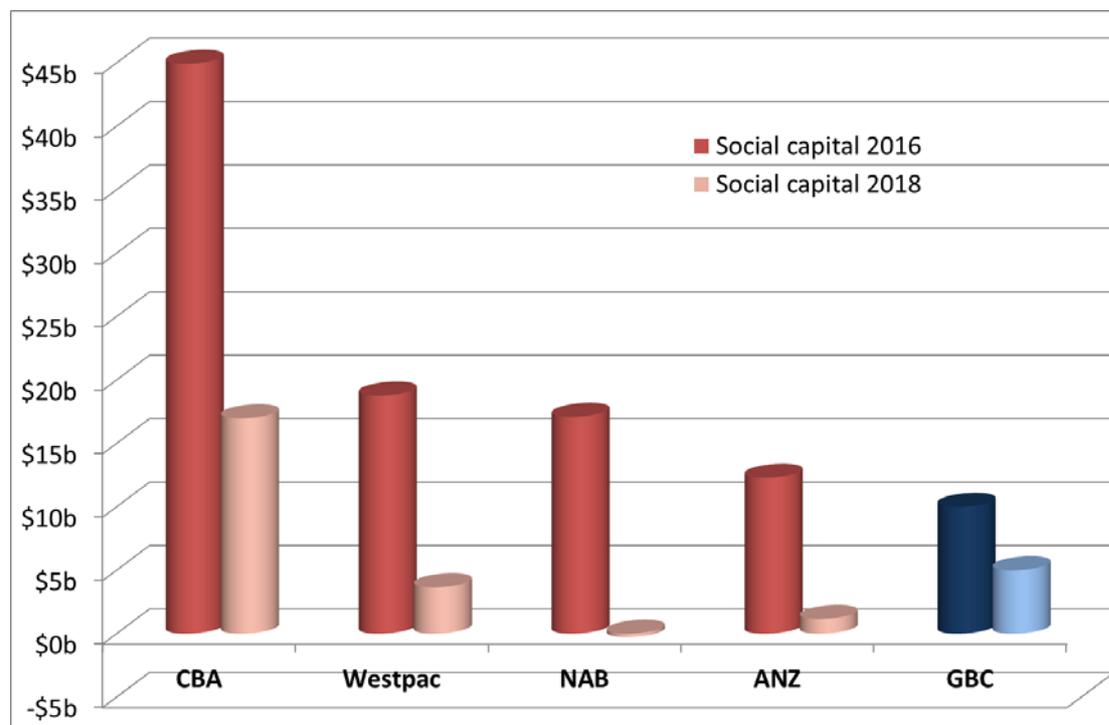
As can be seen in Figure 3, social goodwill/capital is very significant relative to all other capital and in absolute terms. The examples above also show how easily social goodwill can be lost. This reinforces the argument that it is very important that the relationships that provide the social capital should be nurtured and managed very carefully, just as other significant assets are.

This report sets out how we propose this is best done.

Market Comparison

We have done similar estimates for Australia’s four major banks, for the period from 2016 to 2018. In all cases, market capitalization and social capital fell significantly, as a result of negative publicity and the Royal Commission. This chart demonstrates that, in some cases, a company’s entire social goodwill/capital can be destroyed over a short period of time. Indeed, it is possible for social capital to fall to a negative level, becoming a net liability rather than an asset. Note that GBC had the lowest percentage loss of social capital out of the big 5 banks – our response was perceived as humble and genuine by much of the market, and our plan to rebuild GBC around a clear Purpose involving wider society was generally well received by the market in 2018 and 2019.

FIGURE 4



Source : ASX market capitalisation on 7th August 2016 and 1st November 2018, and net tangible assets in company accounts.

To give an example of how social capital may be withdrawn, we have considered the impact of the Royal Commission process on AMP’s intangible assets (those not recorded in the accounts) in the first half of 2018. AMP was

subject to significant adverse publicity, and the Chairman, CEO and General Counsel left the company.

Over the six months, AMP's market capitalization fell from \$11.5b to \$7.4b, while shareholder equity only reduced from \$7.3b to \$7.0b. Not all of this movement was due to loss of social goodwill/capital, as there were other factors at play e.g. AMP's business model was called into question and compensation costs flowing from the Royal Commission were expected to be significant. Nonetheless, it can be argued that a large part of this reduction was due to the loss of social goodwill/capital.

Actions to Improve Relationships Over the Last Year

Progress against Past Recommendations

The 2019 Social Condition Report made various recommendations to help improve relationships with Key Social Groups. The major recommendations in the 2019 report are set out below, together with the status of the management response.

Recommendation	Current Status
1. Following the successful trial in 2019, use artificial intelligence technology to help assess sentiment in a variety of dimensions across GBC – particularly employee culture and sentiment towards customers and towards GBC. This is to be used to supplement the established survey and focus group methodologies.	1. Methodology and technology developed by True Insights Ltd Ltd were successfully implemented and used to help assess relationships during 2020.
2. Conduct a communications program with Wealth customers to give them confidence in GBC and their products and services.	2. A campaign using electronic media and social media was conducted. This has been effective with marked improvements in relationship as shown later.
3. Focus employee training on GBC's social purpose, and how it translates into day jobs. Explain its importance to society and to future business success.	3. This was given considerable attention during the year, with all employees engaged in discussion groups about the GBC Purpose and how it should influence the way they do their job. Feedback has been mixed so far, perhaps due to underlying scepticism.

Recommendation	Current Status
4. Do an analysis of the views of customers with the worst GBC experience in the last 3 years. The aim is to better understand not just the average experience, but to also get an appreciation of the range of experiences.	4. We have developed some ideas for how to best analyse and report on the dispersion of results. The implementation of these ideas is planned for the coming year.
5. Increase skills and resources with the aim of markedly improving relationships with government	5. Modest progress only, in a very difficult environment. Additional specialist employees have been hired, but analysis suggest much work to be done.
6. Conduct an assessment of the GBC relationship with APRA and ASIC.	6. Some progress made as explained in this report. More to be done.
7. Review the way GBC manages its relationship with the media with a view to having a more constructive working relationship.	7. A better understanding of the media's perceptions of GBC has been gained, and a first assessment of the sentiment expressed on social media has also been conducted. More to be done.
8. Deepen the understanding of the perceptions of the wider community about financial services and GBC's position in the market.	8. Signal Analysis has been used to gain a better understanding of community views, but it is fairly basic at this stage

Other Activity

There were a series of other initiatives during 2020 aimed at improving social relationships. The major ones were as follows:

- Considerable work was done on the thinking behind the SCR, and there was further development of skills and resources to conduct the work for the analysis needed.
- A series of discussions were held with ASIC and APRA about our plans and their expectations. The intention here was to improve our understanding of the regulators' expectations and how we can better communicate with them
- A review was conducted of all available information and resources that could contribute in some way to a more comprehensive SCR. This helped improve the usefulness of the SCR and avoided unnecessary duplication of work.

Social Experience – incidents and behaviours

Over the course of the last year, there have been a number of instances where GBC has fallen short of its own stated values and standards in dealing with some members of society.

The more significant of these are set out below:

- The regular communications to home loan customers about an increase in interest rates were amended in format and content, but this caused some confusion and anger with both branch employees and customers. This was a function of inadequate assessment of how the communication could be perceived, reflecting a lack of deep concern about customer impact in the relevant department.
- It became apparent that some employees were quite cynical about GBC and its motives post the Royal Commission. Signal Analysis indicated to us that these negative feelings were very likely to be passed on to customers, adversely affecting morale of other employees and customers' perceptions of GBC.
- A small number of branch employees were found to be manipulating outcomes of discussions with home loan customers intending to move their loans elsewhere.
- There are ongoing problems with consumer credit insurance issued to bank customers over recent years. It is apparent that there is often a misalignment between customers' perceptions of the cover they have and the terms of the policy. This has led to numerous complaints and ongoing ill-feeling towards GBC. There has been some adverse publicity as a result, both on social media and in the press.
- There are also issues with the value of consumer credit insurance more generally, with ongoing low claims payout ratios. While this makes the product quite profitable (and the relevant product managers consider this supports their objectives), the value for customers is poor. This in turn is quite inconsistent with GBC's Espoused Values.
- Following an ACCC investigation into fees and charges on foreign exchange transactions, there have been numerous complaints about the large hidden fees in exchange rates charged to overseas travelers – in particular, on stored value cards. However, there are strongly held but conflicting views within GBC about foreign exchange rates and related margins and fees. The executives in the foreign exchange department continue to defend current practices, arguing that it is a profitable line of business, and disclosures have improved markedly. The Customer Advocate argues that the high profit margins indicate that customers' interests are being given scant regard. GBC has yet to amend its practices in this area.
- ASIC challenged GBC about the process and timing for GBC compensating certain customers for over-charging of fees. They argued it could have been done more quickly had GBC admitted its mistake in a timely way and focused on resolving the issue.

Section E: Quality of Relationships

Methodology

The GBC Strategy makes clear that the quality of GBC relationships is fundamentally important for its success. So, it is critical for GBC to have a deep understanding of the nature and quality of the relationships it has with key members of the societies within which it operates. The assessment of these relationships is a complex and challenging process.

This section of the report describes the methodologies used for this purpose, and comments on their strengths and weaknesses. It then shows the results of our assessment.

For the quality to be managed and risks to it assessed and managed, it is necessary to systematically measure it.

Signal Analysis provides one useful tool. Relational Analytics provides another approach. Each complements the other.

We have used both in the preparation of this report, as explained below.

Signal Analysis

Signal Analysis refers to the use of human signals to assess and predict human behavior. Human signals, which can include such things as smiles, frowns, gestures, car types, house locations and fashion styles, help to convey who we are (or who we want to be). People are conscious of these types of displays and often carefully plan to incorporate them in their communication. Because these signals are so often planned, they cannot be relied on as good indicators.

However, there are other signals that are processed unconsciously or are otherwise uncontrollable. In one application of this thinking, there are three type of signal categories: connectivity (who people communicate with), interactivity (how people communicate with each other) and vocabulary (the language styles people use when communicating). The use of all three categories improves the effectiveness of Signal Analysis. The signals are used to measure and assess human behaviour and personality attributes in an authentic and accurate manner.

Signal Analysis makes use of Social Network Analysis^E, psycho-linguistics, machine learning and other methodologies, including sentiment analysis^F.

^E Social Network Analysis

^F Sentiment Analysis https://en.wikipedia.org/wiki/Sentiment_analysis

Signal Analysis can be and is being used to understand the underlying sentiment of various social groups. It is currently being used in Australia to help management and boards better understand and influence organizational culture^G.

For example, culture-related issues such as the existence of an unwanted silo mentality between parts of an organisation can be measured and addressed with a signal derived from connectivity. This signal looks at the social network relationships between people at work and the way gaps in these relationships can be bridged through key influencers within those networks. This can reduce the existence of a silo mentality between functions and promote better collaboration and engagement between personnel.

Another example involves analysing the time taken to respond to emails, which is an interactivity related signal. The longer the receiver takes to respond to an email, the less passion that person displays for the issue the email relates to^H. Factors such as being cc-ed as a matter of courtesy or being spammed are taken into consideration, as are emails that may require longer than usual to provide a response due to their technical nature or financial implications. A supplement to the speed of response is the number of nudges received from the sender of the email. The more times a sender needs to remind the receiver to respond to an email, the less respect the receiver has for the sender. These signals can be used to monitor risk culture factors such as the likelihood of ignoring issues until they can no longer be ignored. Email response times and the number of nudges required to elicit a response are early warning indicators of key issues being ignored.

The methodology can be readily used for other social groups, such as shareholders, the media, the wider community, and suppliers.

Signal Analysis undertaken over time can give an idea of trends and momentum from movements in the underlying sentiments. This can help in identifying and initiating pre-emptive actions to improve relationships.

For example, because the community is a social network through which ideas spread, understanding the dynamics of that network helps better understand how community expectations are evolving. Understanding who shapes that evolution helps analyse the drivers of shifting expectations and provides alerts when new issues are being introduced and promoted by the influencers. This is social risk sensing, which combines social network analysis, sentiment analysis and artificial intelligence to build a 'radar' to detect current and forecast future shifts in community attitude and expectations.

One interesting benefit of Signal Analysis, where ongoing personal information is provided to employees, is the effect it has on improving

^G Blackhall & Pearl <http://blackhallpearl.com/expertise/artificial-intelligence/>

^H <https://www.nytimes.com/2019/02/15/opinion/sunday/email-etiquette.html>

behaviours where the individual is shown to be out of step with their peers and/or with expectations.

We have used the services of and methodologies developed by True Insights Ltd to assess GBC's relationships with certain KSGs. This involved analysis of communications within each of the KSGs and from members of KSGs with GBC, to identify underlying sentiments about GBC and its services.

The communications analysed included:

- For employees: email archives
- For customers: voice recordings of phone calls to/from GBC, email headings and text of emails to GBC, text in blogs, comments on relevant websites, text in formal complaints to the Australian Financial Complaints Authority
- For shareholders: letter and emails to GBC; recordings of GBC meetings with fund managers; comments made at AGMs
- For media: articles involving GBC and/or the banking industry
- For politicians: public comments; recordings of parliamentary enquiries; Hansard; comments in the media
- For business partners, voice recordings of phone calls to/from GBC, email headings and text of emails to GBC, formal written communications

Signal Analysis undertaken over time can give an idea of likely trends and momentum from movements in the underlying sentiments. This can help in identifying and initiating pre-emptive actions to improve relationships.

Relational Analytics

Relational Analytics¹ is a well-developed approach to understanding, managing and measuring relationships.

Relational Analytics argues, amongst many other things, that relationships create value and are a potential source of competitive advantage – consistent with the GBC Strategy.

Relational Analytics establishes what it calls the Relational Proximity® Framework. Relational proximity is a measure of the 'distance' in the relationship. It introduces five domains of relationship, and five drivers for measuring proximity:

¹ Relational Analytics <https://www.relational-analytics.com/>

Relational Proximity®		
Domain	Driver	Examples of Close Proximity
Communication	Directness - the ways in which presence in a relationship may be mediated by time, technology or other people	There is regular communication (with a high proportion face-to-face) where both parties are open, honest and transparent. Parties are accessible and responsive, and find their encounters valuable.
Time	Continuity – how interactions are sequenced over time	The two parties have or are developing a meaningful and memorable back story and strong foundation to further build the relationship. They have a planned future together with a sense of loyalty and commitment.
Information	Multiplexity - the way in which information is obtained	The two parties know and understand well each other and their motivations and pressures, across multiple contexts. They know each other's skills and talents. They know why the other party behaves the way they do and can predict reactions.
Power	Parity – how the distribution and use of power can influence participation, fairness, and the experience of mutual respect	There is mutual respect, and both parties feel free to truly influence and participate in the relationship. There is a sense of parity and fairness in the sharing of risk, reward, credit and blame.
Purpose	Commonality – how the depth, breadth and clarity of alignment of purpose influences unity and synergy	The parties are well-aligned in their expectations and priorities, and in their short and long term goals. There is mutual commitment and synergy – they feel they can achieve more together than apart. Any differences are well-understood and managed.

Using this framework, the quality of the relationship with a particular social group (e.g. customers) can be assessed. In turn this provides a basis for assessing risks and managing the relationship.

Importantly, assessments of the relationship are made in both directions – that is both by the business and by the social group concerned. Differences in perspectives are uncovered, revealing GBC’s relational blind spots.

Gathering information

The information used for doing this assessment under the framework was sourced from various places.

The first and most basic methodology involves asking relevant questions of representative samples from each of the KSGs (key social groups – see Section B), with the aim of understanding their views of and attitudes to GBC and its services.

First, surveys were carried out of samples of members of the each of the KSGs. The techniques used were statistically sound, and the work was done by professional survey firm Questionable Surveys Ltd.

This work was supplemented with focus group studies for a number of the KSGs, also conducted by Questionable Surveys Ltd.

As with any survey and focus group work, there are weaknesses and distortions in the results. These include

- Statistical sampling error.
- Bias in the selection of participants – either as a result of the process or in the willingness of people to participate.
- Weaknesses in the questions in identifying the true issues of concern to those being surveyed.

Signal Analysis avoids some of these problems and so it also has been used to inform the Relational Analytics assessments.

All of this work – surveys, focus groups and Signal Analysis – has been distilled and the results used to support the Relational Analytics framework assessment.

An assessment also has been made of each relationship (where the work has been done) using Signal Analysis alone, to provide a different perspective.

Results of Assessment Relationships

Tables C to E below show the results of our various calculations at a high level.

Following the Tables, there is commentary on what the numbers are telling us about the various relationships.

TABLE C – Summary of Relationship Analytics

General Banking Corporation	Relational Proximity® by Dimension (December 2020)					Relational Proximity®
	Communication	Story	Information	Power	Purpose	
Customers						
Retail	52%	65%	29%	38%	42%	45%
Business	63%	74%	33%	22%	61%	50%
Wealth	63%	61%	51%	56%	55%	57%
Employees	51%	66%	39%	44%	40%	48%
Suppliers & Partners	63%	69%	51%	67%	58%	61%
Shareholders	50%	68%	48%	53%	73%	58%
Public						
Ex-customers	21%	23%	31%	28%	26%	26%
Other	25%	26%	17%	73%	52%	38%
Regulators	55%	55%	50%	23%	29%	42%
Politicians & Bureaucrats	35%	50%	31%	31%	58%	41%
Media	37%	45%	41%	25%	30%	36%

Notes:

1. This Table shows the Relational Proximity score for each KSG, with the underlying scores for each Dimension.
2. This helps understand the reasons for the level of scores.
3. Comments on the relationships for each of the KSGs are provided below.

TABLE D – Summary of Relationship Analytics & Signal Analysis

General Banking Corporation		Relational Proximity		Key observation from Signal Analysis
		2019	2020	
Commercial / Direct Relationships	Customers			
	<i>Retail</i>	48%	45%	
	<i>Business</i>	52%	50%	
	<i>Wealth</i>	50%	57%	
	Employees	65%	48%	
	Suppliers & Partners	61%	61%	
	Shareholders	58%	58%	
	Public			
	<i>Ex-customers</i>	27%	26%	
	<i>Other</i>	37%	38%	
	Regulators	50%	42%	
	Politicians & Bureaucrats	28%	41%	
	Media	26%	36%	

Notes:

1. This Table shows the overall Relational Analytics results for 2019 and 2020, together with a high-level view of the outcomes of Signal Analysis work.
2. As noted above, some KSGs have a commercial or direct relationship with GBC; others have a non-commercial relationship.
3. The KSGs are sorted by the amount of interaction GBC has with each group. Due to the nature or structure of the relationships with Employees, Suppliers and Partners, GBC has greater connection and influence with these groups, than with those further down the list.
4. This is not to say the relationships with the second group are less important – rather that they are harder to influence and manage.

TABLE E – Summary of Differences in Perspectives – GBC and Key Social Groups

General Banking Corporation	Their perspective compared to our perspective
Customers	
<i>Retail</i>	-4%
<i>Business</i>	-7%
<i>Wealth</i>	9%
Employees	-16%
Suppliers & Partners	-12%
Shareholders	15%
Public	
<i>Ex-customers</i>	0%
<i>Other</i>	-2%
Regulators	-1%
Politicians & Bureaucrats	13%
Media	5%

Notes:

1. This table highlights how the perspectives of GBC and the other parties differ from each other.
2. It is particularly concerning when there is significant difference, as it may indicate, for example, a blind spot for GBC, or misunderstandings. The negative values (shown in red or orange) are those where the other party has a more negative perception of the relationship, compared to GBC’s perception.

Social Bad-will

It can be misleading to use averages in the assessment of the relationship with a KSG (customers for example). If there is significant dispersion about the mean, then there may be large numbers of customers who have a very poor relationship with the business. As the Royal Commission demonstrated, a poor relationship with fairly small number of customers, given a platform, can cause great damage to the business.

Over the coming year we intend to analyse the dispersion of the relationships scores and decide on the best way of presenting the results. Our present thinking is that we will measure the quality of relationships with particular subsets of customers e.g. those who are in the lowest decile, or those who have complained in recent times. We can then see how significantly these results differ from the average.

We will also show the impact those customers with poor results on the average. For example, some preliminary work suggests that the GBC Social Goodwill Measure of 47 might be up to 5 points lower because of the scores from just the lowest 2% of customers. As another example, we identified one significant negative outlier in our media relationships, which impacts the overall score for that KSG.

Commentary on Quality of Relationships

(refer Tables C to E above)

The Information scores are low across most of our relationships. We generally think we know as much as we need to about the other party, but they don't feel they really know who we are, what we stand for, or what our underlying motivations are. They don't know the whole range of ways in which we could partner with them. We seem so big to them, that they only know a little part of us. They're always interacting with someone different, so there's no way to build that understanding.

The Story scores are consistently high across our commercial or direct relationships. The majority of our employees, suppliers, partners and customers are saying that we have a meaningful or long history together, and that they are reasonably committed to a future with GBC. There is perhaps a surprising sense of continuing momentum and underlying loyalty with the bulk of these parties, which we shouldn't forget when we see other less encouraging statistics.

GBC's relationships have strengthened in some areas over the last 12 months (e.g. with Wealth customers), but in others there has been a marked decline (e.g. with employees). The improvements made partly reflect the actions taken in response to the first SCR. Overall progress, however, has been disappointing and this reflects how challenging it is to successfully manage GBC's various relationships.

There are a number of areas of significant concern and considerable need for further progress before GBC's target levels of relationship quality are met.

We have made multiple proposals to better manage our relationships with the key members of our society and are confident that significant progress can be made over coming years.

Comments on relationship quality and recommendations with respect to each KSG are given below.

Customers

- Our relationship with Wealth customers has improved significantly, following our successful consultation program with a customer advisory council, and the subsequent structural changes made to our financial advisor remuneration.
- Relationships have deteriorated a little with retail banking customers. There is a hint of the same sense of disillusionment emerging over the last 12 months, that we have observed with employees. Our relationship improved with retail banking customers after the launch and promotion of our Purpose, but it has now fallen back to old levels.
- Small businesses are feeling powerless and without influence. They say that nothing has changed in terms of requiring homes as security, and that they are finding it more difficult than ever to get credit. Lapse rates have increased significantly over the last 12 months, as our competitors make changes in these areas.
- The quality of relationships with customers who have made a formal complaint or who have been subject to errors in the last three years have been separately assessed. This shows a very poor-quality relationship, particularly in terms of alignment of purpose.
- Assessing the negative outliers in customer relationships is important to help understand how those customers came to have their views. It is also important because such customers can do great damage to the overall customer relationships. Preliminary work suggests that customers with the lowest scores had suffered from very poor experiences, often compounded by repeated or multiple errors. The quality of relationship in these cases is much lower than for customers as a whole. Deliberate action is required to better avoid and/or deal with particularly poor experience.
- The life insurance business is continuing to suffer from ongoing worsening of disability experience. Much of this is due to increasing mental health claims. Claimants generally feel they are treated fairly, but there is a group who resent the use of surveillance in claims assessments. Balancing community expectations and making a profit is proving a major challenge for our supplier Wholesome Life Insurance, and the business may not be sustainable as it is. This presents strategic challenges for GBC.
- Significant numbers of customers of all types feel that there is inconsistency between the GBC Espoused Values and what they experience.

Customers form the backbone of the relationship with the community. The quality of these relationships is central to the success of the GBC business and in meeting its Purpose.

There are three distinct groups: retail banking; retail Wealth and business customers.

Recommendations:

- Develop a program to identify those customers who have had particularly poor experiences and then support them in a way that turns them into advocates.
- Apply lessons learned from the positive relational turnaround in relationships with Wealth customers, to the emerging challenges with Retail customers.
- Apply Signal Analysis and/or use focus groups with business customers to help understand the perceptions of power imbalance in this relationship. Be prepared to take action based on what we uncover.
- Maintain a regular program of Signal Analysis of customer interactions so that a comprehensive picture of ongoing sentiment and how it is changing is maintained, with actions taken in response.

Employees

Employee Culture

As the Board is aware, each year there is a process to help the Board form a current view of the risk culture within the business. This is partly to comply with regulatory requirements^J, but it also meets the Board's desire to understand and influence the development of the culture more generally.

There are a number of sources of information which are drawn on to inform the Board about culture. These include:

- Employee surveys and focus groups, which include questions designed to give insights about culture
- An array of key indicators such as employee turnover and exit interviews
- Complaints and other interactions with customers
- Feedback from objective observers such as external auditors, consultants who have worked with employees etc.
- The Board's own observations from interactions with management and other employees, at formal Board meetings and at other activities (some arranged for the purpose)

This report draws on that work to help assess the quality of the relationship with employees and with customers.

In addition, we have used two other tools to give us further insights.

^J CPS 220

The Signal Analysis work gives deeper insights into culture, and this has proven invaluable in identifying problem areas and opportunities for improvement. For example, as part of the Signal Analysis work, it was identified that the response times for emails has been drifting higher, particularly in certain parts of the business. This is a sign of increasing disengagement.

We have used Relational Analytics, informed by Signal Analysis, to scan internal employee relationships vertically (up and down the internal hierarchy to identify points of friction or disconnect), and horizontally (across business units to identify silos).

Other observations about the relationship with employees

- Last year, GBC had developed its initial response to the Royal Commission. It had developed the GBC Reform Plan, including its new Purpose. At that time, employees felt strong alignment with GBC's direction and intent.
- However, many employees now say they've been disappointed and disillusioned with GBC's latest more defensive responses and are now starting to feel like the new strategy is just lip service, that nothing's really changed, and GBC still only cares about profit and shareholders. Employees point to our decision to not change our approach to measuring loan serviceability, potentially burdening many customers with more debt than they can afford. They also note GBC continues to require homes as security for business loans and overdrafts.
- While employees relate well to the GBC Espoused Values, they do not feel they represent the true values within GBC.
- The low scores in in Table C, the poor assessment in the Signal Analysis in Table D, and the movements shown in Table E reflect these sentiments. The Purpose dimension, which has gone down dramatically, from +70% to +20% - implying they haven't observed actions in line with stated intent – is a particular concern.
- The employees' disillusionment could be a very important 'canary in the coal mine', because employees would naturally be the first to observe a misalignment in our talk and our behaviours. The risk is that this sense of disillusionment could filter down to other KSGs, starting with suppliers, partners, and customers.
- Employee culture is generally appropriate, reflecting a general desire to do the right thing, but there are pockets of real concern. These include:
 - employee attitudes in parts of institutional banking
 - lack of willingness to be accountable in some areas
 - bonus-driven behaviours

Open and healthy relations with employees of any company are important. In GBC's case, this becomes doubly so because of the strategy and the importance placed on the quality of its social interactions with its customers and the wider community. Employees must believe in and support the strategy for it to be effective, and this will only happen if an open and trusting relationship is in place between employees and management.

- Our vertical relational scan revealed a broken link in the chain of hierarchy, between senior management and middle management, fairly consistently across the entire organisation. This broken link may explain why there is weak support for our Purpose and our Reform Plan within operational teams. It could also explain why senior managers don't find out quickly about friction and challenges further down our organizational structure.

Our horizontal relational scan revealed some silos across business units, the most significant and concerning being that the frontline teams in call centres and branches, are almost completely isolated from other teams, including product, pricing, strategy, marketing and risk teams, who we would like them to be working closely with. Signal Analysis (in particular Social Network Analysis) confirmed this quite graphically, and the sharing of its results is already having a positive impact.

Recommendations:

- Understand the root causes of the broken link between senior and middle management. Signal Analysis should be used to help identify any inconsistencies between the GBC Purpose and actual behaviours, decisions or communications.
- Develop an action plan to re-build those relationships. This should include the ongoing use of Signal Analysis and associated personal reporting to "nudge" employees to better engage with others.
- Re-engineer the relationships that our frontline teams have with other parts of our business, including introducing new performance objectives
- Conduct an exercise to thoroughly understand prevailing negative or cynical attitudes, including the underlying drivers, and to identify the sections of the business where the greatest challenges lie.
- Develop a program to develop a deeper understanding among employees of the GBC Purpose and Strategy and their rationale. This program would involve two-way communication and make use of the Relational Analytics and Signal Analysis methodologies.
- This program should include gaining the support of those identified as "positive culture carriers" in changing attitudes and behaviours.
- Maintain a regular program of Signal Analysis of employees, so that a comprehensive picture of ongoing sentiment and how it is changing is maintained, with actions taken in response.
- Share the findings from this work with employees and seek their feedback.

Suppliers and Partners

- Wholesome Life Insurance provides life insurance products for GBC to provide to its customers. There is a disconnect between GBC's view of the services provided and Wholesome's view. Wholesome values the multiplicity of features, whereas GBC's in-house financial planners and branch employees value simplicity.
- In-house financial planners and branch employees also consider that Wholesome Life has a very strict approach to disability claims, while Wholesome Life is making losses on this business
- Mortgage brokers consider GBC is slow to respond to queries and makes too many errors; they believe GBC places too much importance on interest rates and product features.

GBC's business involves business relationships with many other organisations. In some critical cases, this involves the provisions of products and services under GBC's brand or with its endorsement. In all cases, these business relationships must strongly support GBC's strategy. For this to be the case, the quality of such relationships must be of the same high standard that GBC seeks in its direct customer relationships.

Recommendations:

- Review GBC's approach to life insurance in the context of the GBC Purpose and Strategy, and seek products that better align.
- Do a thorough review of mortgage brokers' needs vs GBC capabilities and take action accordingly. Conduct Signal Analysis of interactions with brokers.

Shareholders

Our relational analysis reveals two distinct groups of shareholders:

- The first group is characterized by a focus on dividends and shorter-term financial outcomes, and they advocate a 'shareholder primacy' view. They are very unhappy with the fall in share price and the weaker dividend outlook. Our relationship with this group is weak and falling further, since the launch of our Reform Plan. We are now less aligned with this group. We note that this group is steadily getting smaller over time, as some of them sell their shares.
- The second group is characterized by a focus on building long-term sustainable value. They support our Reform Plan and our focus on building social capital with all KSGs. We have strong alignment and shared purpose and values with this group, which is steadily growing as new shareholders invest in GBC.

Shareholders look to GBC to deliver strong financial performance in the form of dividends and share price appreciation. Their perspective and their focus are therefore different from others.

Having said that, shareholders often will also be customers, and GBC needs to understand and manage this dual relationship. It does so consciously, and its formal communications reflect this. The quality of such relationships must be of the same high standard that GBC seeks in its direct customer relationships.

Recommendations:

- Explore new ways of reporting to the market each 6 months, to track progress against our Purpose and Strategy.
- Explore ways to encourage an influx of new shareholders who are aligned to our Purpose.

*KSGs with indirect relationship with GBC***Wider community (including ex-customers)**

- Community perceptions of GBC have remained stable, well below GBC's desired position.
- There is a high level of distrust of the financial services sector generally, with GBC now about average (previously above average).
- GBC is not seen as a member of the community (one of us) but as an outsider (one of them).
- The GBC strategy addresses this situation as it is not unexpected, but the execution is in its infancy.
- While the wider community finds it difficult to assess GBC's adherence to its Espoused Values, not surprisingly, ex-customers have strong views that the Espoused Values are given lip service.
- GBC doesn't currently have close and effective interaction with the wider community or community groups.
- The relationship with media is closely linked to the relationship with the wider community.

Recommendations:

- It is unlikely that the embedded cynicism will be overcome with conventional marketing activities. Instead implement a program which highlights how GBC's Purpose is being supported by GBC activities.
- Explore partnerships with trusted organisations and community groups

The GBC strategy relies on its relationship with the communities in which it operates. A poor relationship with non-customers would impede the execution of the strategy. With the findings and recommendations of the Royal Commission, building a trusting relationship with the wider community is a challenge, but is also critical for GBC. This is partly dependent on GBC's broader role as a corporate citizen, including its contributions as a taxpayer and its key role in the financial system more generally.

Ex-customers form a distinct subset of the wider community in which GBC operates. They have had direct experience of GBC and its services and are likely to have views that reflect that experience (whether good or bad) and may influence the views of others in the community.

Politicians and Bureaucrats

- Relations with government and regulators have bounced back materially, from their record low-point 12 months ago, at the peak of the negative publicity associated with the Royal Commission, the standards and behaviour it highlighted, and the political and community pressure for tougher attitudes.
- While we have started to work proactively on rebuilding trust in these relationships, we believe that the bounce-back has more to do with the fact that banking is now out of the spotlight, and the media and politicians are now focusing on other matters.
- With politicians, we have seen a weakening of the relationship in one area, simply due to the change of Government, causing a break in continuity.
- The GBC management surveyed were happy with the current communication activity, but the politicians and in particular bureaucrats would like much more – quantity, quality, detail, openness.

Recommendations:

- Develop and implement a fresh politician and bureaucrat relationship plan aimed at (a) their current points of concern, (b) GBC's Purpose and Strategy and its alignment with community interests and (c) building a sense of continuity and momentum, making plans for how to work together on common interests.
- Develop and implement an education plan for all senior management having interaction with politicians and bureaucrats aimed at how to best convey GBC's position to them – to be delivered by specialists in the field.
- Review the skills needed within GBC for dealing with the politicians and bureaucrats and address any gaps.

Financial services, and banking in particular have close attention paid to them by the Government and politicians more generally. The reason for this is clear – banks and other institutions in the financial services sector enjoy the privilege of managing other people's money, and at the same time they are critical threads in the fabric of the economy. Management and shareholders enjoy financial benefits that flow from leveraging the money of others. All of this poses risks to the financial system and to the financial welfare of the community. Furthermore, the government will be sensitive to the experience of customers as voters and will be alert to the importance of the industry to the financial system more generally. It will also want to avoid surprises that could adversely reflect on the industry or on government.

It is therefore critical that the government is kept fully informed of GBC's intent and strategy, and the quality of its relationship with the community.

Regulators

- In the aftermath of the Royal Commission, both ASIC and APRA have adopted a much more sceptical and hard-line stance. They are far less tolerant of poor behavior or treatment of customers, and expect faster and better communication and resolution.
- This has fundamentally changed the relationship, introducing more distance, this is reflected in the analysis above.
- It appears that GBC lacks the skills and understanding to effectively manage these relationships in the new world.

Recommendations:

- Share this SCR with ASIC and APRA and seek their feedback and questions, surfacing and responding to any doubts or reservations.
- Conduct a deep analysis of ASIC and APRA expectations in the “new world”, with specialist help.
- Develop and implement a fresh regulator relationship plan aimed at (a) their current points of pressure and (b) GBC’s strategy and relationship management plans.
- Develop and implement an education plan for all employees having interaction with the regulators aimed at (a) giving a deep understanding of the priorities of each regulator and (b) how to best convey GBC’s position to them
- Review the skills needed for dealing with the regulators and address any gaps.

Because of the political importance of its performance and because prudent and fair management of its financial needs is critically important to members of the community, society has judged that strong regulation is necessary.

Open and constructive relationships with the regulators are thus vitally important to both the regulators and to GBC. GBC has dedicated relationship managers who have the necessary business knowledge and seniority to ensure the regulators are fully and appropriately informed of any matters of relevance. Equally, GBC is careful to ensure that the views of the regulators are well understood at the highest level within GBC.

Media

- The media gave detailed coverage of the Royal Commission and was a willing and vocal critic of the industry and individual players. The Signal Analysis shows that media remains deeply cynical.
- The media tends to lump all players together and GBC should expect continued criticism, and opportunistic adverse commentary.
- Notwithstanding that, the media's attention is currently elsewhere, and our relationship appears to have bounced-back for now. However, we remain wary, and wish to avoid a future repeat of the very negative publicity.
- We identified one particular media outlet (Mega Media), with whom our relationship appears extremely distant and strained. Historical media analysis shows that this outlet was responsible for more than a third of the total negative media coverage.

The traditional media inevitably plays an important role in the public's perception of GBC. GBC needs to maintain an active and healthy relationship with major media companies, with the primary aim of ensuring they have a clear understanding of the facts in any story involving GBC.

Social media has assumed a very important role in the management of relationships with society and GBC must be able to understand and interact with social media accordingly. This requires very particular skills.

Recommendations:

- Review the skills needed within GBC for dealing with the media (including social media) and address any gaps.
- Develop and implement a program of education of key media commentators about the GBC Reform Plan and its progress.
- Identify a select, small group of commentators and brief them regularly on matters of importance.
- Understand the specific issues associated with the Mega Media relationship and seek expert assistance to build that relationship into the future.

Measuring and Assessing the Value of Relationships

It is helpful to think in terms of social capital being provided by each KSG, and that in turn creates value in the form of an intangible asset. In other words, a KSG provides social capital and the value to GBC is in social goodwill.

So social capital and social goodwill can be seen as two sides of the same coin.

Measurement at KSG Level

In Section D, we set out to illustrate the broad magnitude of social relationships value by identifying a portion of GBC's market value to attribute to social relationships. This necessarily is measured in dollars.

We now consider how to measure and assess the value of relationships at a more detailed level. For this more detailed analysis of social goodwill, we decided to avoid measurement in dollars as this might suggest a financial attribution that might not be supportable nor helpful.

We have therefore focused on a non-financial assessment of relationships, using the methodologies mentioned above.

Relational Analytics measures the extent to which the parties believe that specific relationship conditions are present in their relationship. A 100% score indicates that they strongly agree that the specified condition is present. A 0% score indicates that they strongly disagree. 80% corresponds to "agree" and 60% "slightly agree". Surveys investigate the affective, behavioural and cognitive aspects to each of the five relational dimensions.

Measurement at GBC level – The Social Goodwill Measure

To get an overall measure of the relationships that GBC has with its KSGs, we then calculated the Social Goodwill Measure for GBC as a whole. The Social Goodwill measure is a weighted average of Relational Proximity across all KSGs. The weights given to the various KSGs are based upon their relative strategic significance to the ongoing ability of GBC to achieve its mission and financial outcomes.

The Social Goodwill Measure is useful for assessing the overall quality of the relationships in absolute terms, for tracking changes over time and for assessing the consequences of our interventions to improve relationships.

The strategic significance weights are necessarily based on judgement and were set after extensive discussions with management and the Board during the second half of 2020.

The following were considered in respect of each KSG:

- its size in terms of number of people
- its size in terms of business/profitability with GBC
- the potential loss of social goodwill from the KSG forming a strong negative perception of GBC the ease or otherwise of recovering relationships after a loss of social goodwill from the KSG
- its importance to the achievement of GBC's Purpose
- its perceived importance in society

The results are as follows:

TABLE F – KSG Significance

General Banking Corporation	Strategic Significance
Customers	
<i>Retail</i>	 17
<i>Business</i>	 10
<i>Wealth</i>	 5
Employees	 15
Suppliers & Partners	 5
Shareholders	 15
Public	
<i>Ex-customers</i>	 2
<i>Other</i>	 3
Regulators	 5
Politicians & Bureaucrats	 15
Media	 8
Total	100

Assessment

Social Goodwill

The results of our calculations of value for the various KSGs and for GBC as a whole are as follows:

TABLE G – Overall Relationship Values

General Banking Corporation	Relational Proximity®	Strategic Significance	Social Goodwill Contribution
	2020	2020	2020
Customers			
<i>Retail</i>	45%	17	8
<i>Business</i>	50%	10	5
<i>Wealth</i>	57%	5	3
Employees	48%	15	7
Suppliers & Partners	61%	5	3
Shareholders	58%	15	9
Public			
<i>Ex-customers</i>	26%	2	1
<i>Other</i>	38%	3	1
Regulators	42%	5	2
Politicians & Bureaucrats	41%	15	6
Media	36%	8	3

GBC's Social Goodwill Measure (2020)

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Commentary on Value of Relationships

The Social Goodwill Measure in Table G is an indicator of the overall health of GBC's social relationships. Our intention is to use the Social Goodwill Measure as the primary way of monitoring the current status of, and movement in, GBC's social relationships.

The current score of 47 is not particularly high, indicating that there is much that can be done to improve social relationships over the coming months and years. We have set an interim informal benchmark of 58, to be reviewed more thoroughly next year. Some Relational Analytics practitioners suggest that a relationship of greater than 75% is 'effective', between 50% and 75% is 'functional', and below 50% is 'distant'. Our benchmark for GBC's commercial or direct relationships is set at the mid-point of the 'functional' band, at 62.5%. Our benchmark for other less direct relationships is 50%, at the border of 'distant' and 'functional'. Weighting these by strategic significance generates a benchmark of 58.

Table D shows the values ascribed to the relationships with the various KSGs. It also shows the movement in value over the last year. Here are some key observations:

Because of the formula used to determine the value of relationships, the values for each KSG reflect the relative significance ascribed to the KSG and its overall relationship quality as set out in Section E.

Some high-level observations can be made:

- There was a significant reduction in the employee relationship value over the year, reflecting the deterioration of the relationship with employees.
- Most of the value comes from retail customers – particularly banking customers as they are largest in number. Thus, there is most to lose with these customers if the relationship is managed poorly.
- The value of the relationships with Wealth customers is relatively low, primarily because the current quality of the relationships is low on average and these customers are relatively small in number. There is considerable room to improve this value.
- Exacerbating the low score with Wealth customers, Wholesome Life Insurance fell in value because of the differences in views they have.
- GBC believes that Wealth products and services are key to a strong ongoing relationship with its overall retail customer base, so improving the relationship quality is a high priority.
- Value for shareholders is particularly low reflecting the low opinion of some members of the funds management community. The relationship value has fallen over the year. GBC will need to improve its financial performance and rebuild its reputation before there will be a substantial recovery.
- the cynicism of the wider community towards the financial services sector is reflected in the relationship value and its movement.
- The relationship value for regulators has been steady in the wake of the Royal Commission, but there is much room for improvement.
- The deep cynicism and opportunistic attitude of politicians is reflected in the low relationship value. This again reinforces need for a concerted effort to improve relationships here.
- Finally, the value of the media relationship is not only low but quite fragile – as has happened in the past, it will take little for the media to engage in strident criticism and invoke damage to the value of GBC.

Recommendations

Many of the recommendations made in Section E to improve relationships with KSGs will also lead to increases in social goodwill/capital. However, there are some specific steps that can be taken with respect to social capital/goodwill.

Recommendations:

- Continue to develop the methodology outlined in this paper to assess and manage social goodwill/capital.
- Develop social stress scenarios with input from the Board for future analysis.
- Develop a methodology for better understanding the volatility of the various relationship values, to better understand how quickly they might change, and thus how they might better be managed.
- Assign dedicated resources to help with this development and to do more sophisticated calculation and analysis.

Section F: Risks to Relationships

Relationships can be damaged in many different ways. They can be hurt because of conscious strategic decisions to take a path which weakens the connections with other parties; they can be hurt because of financial mismanagement causing damage to reputation and to shareholders' investments; they can be hurt because of operational mismanagement and errors; and they can be hurt by the manifestation of social risks.

The first two of these are best addressed elsewhere.

Operational risks can be quite important to the quality of social relationships, because of the impact on social groups of poor management and errors. We have not explored this impact in this report, but in the next SCR we will address it in some detail. We will also consider the impact on social risks of damage from and responses to operational incidents.

In this report, we explore Social Risks.

Social Risks

Social risks can be defined in various ways.

For the purpose of this report, social risks are those risks that a business is exposed to as a result of decisions and behavior that are inconsistent with prevailing social attitudes and norms and how they are changing, and which could damage the business's key social relationships.

This includes risks that could undermine any of the following drivers of a strong relationship:

- Power – there is mutual respect, power is used in a fair way, and both parties truly influence and participate in the relationship. There is a sense of parity.
- Information – the two parties know and understand well each other and their motivations. They know why the other party behaves the way they do.
- Communication – there is regular communication which is well-regarded by both parties, and is honest and transparent.
- Purpose – the parties are well-aligned in what they are trying to achieve, and their values are consistent. Any differences are well-understood and managed.
- Story – the two parties have or are developing a meaningful and memorable back story. Their thinking about the future is aligned and there is a sense of momentum.

As with many risks, social risks also provide opportunities – in this case to leverage a deep understanding of social attitudes and norms and how they

are changing, and then to anticipate the expectations of customers and wider society in the provision of services

Appendix A provides one perspective on social risks with some examples.

The Board has previously come to the conclusion that effective management of social risks is core to the successful execution of GBC's strategy. This strategic positioning is a key driver of the approach taken in this report.

Social Risk Management Framework

Social risks are managed within GBC's overall risk management framework. However, there are particular aspects of that framework that deal specifically with social risks.

GBC has adopted the three lines of defence model. This involves

Line 1

Basic responsibility for risk management, including social risks, lies with line management. This includes identification, monitoring, mitigation, management, and reporting of risks, issues and incidents.

The GBC Group Risk Management Committee (GRMC), chaired by the CEO, has operational oversight of GBC's overall risk management.

The GRMC has regular meetings dedicated to social risks (in addition to its broader remit) which draws together strategic and day-to-day social risk management. The Social Risk Officer prepares and presents a social risk status report to each such meeting. This separate meeting is considered necessary because of the all-pervasive nature of social risks in their impact on GBC, the importance of relationships to the GBC strategy and because GBC's skills and capabilities in these areas are still in development.

Line 2

The risk function, headed by the Chief Risk Officer (CRO), provides independent monitoring of the risk profile, the operation and design of the risk management framework, and the overall quality of risk management. It has a direct line to the Board Risk Management Committee and a dotted line to the CEO.

In the case of social risks, the Social Risk Officer (SRO) plays a distinct and important role. The SRO reports to the CRO and has a dotted reported line to the CEO. The SRO has a standing invitation to attend the GBC Board Risk Committee.

Line 3

Internal and external audit functions provide assurance as to compliance with the RMF and the effectiveness of its operation.

In the case of social risks, specialist external firms are engaged to complement the work of the audit functions in assessing the adequacy and effectiveness of the RMF in respect of social risks. These specialist firms provide expertise in social attitudes and norms as well as

Other aspects of the social risk management framework include the following:

Social Risk Appetite

Within the full Risk Appetite Statement, the Board's appetite for social risks is addressed. The key elements of the Relational Analytics in the context of social risks are that:

- o There is no appetite for inadequate resources and capabilities for monitoring and analyzing social attitudes and community expectations, including their trends;
- o There is no appetite for anything other than a systematic response across the business to the monitoring and analysis in the point above.
- o There is no appetite for operating in a way that falls significantly below GBC's best understanding of community expectations, except where there is a conscious decision to do so for sound reasons e.g.
 - Longer term strategic considerations means short term discomfort for some relationships;
 - After careful consideration, community expectations have become unrealistic in some respect, in which case the risk must be mitigated with strong communication

For each of the social risks (see Appendix A) there is a defined tolerance and expectation. These are set out in the section below on the current social risk profile.

Key Risk Indicators (KRIs) and Key Risk Sensors (KRSs) for Social Risks

A key aspect of GBC's social risk management is the careful selection and monitoring of social risk KRIs and KRSs.

Social Risk KRIs, like KRIs for other risk types, are in current practice often based on contemporaneous or recent past assessments of outcomes.

Social Risk KRSs are more predictive in nature, usually because there is a link between the social situation they are assessing and an impact on GBC.

There is more likely to be an available measure for a KRI than for a KRS. A KRS relies more on interpretation for its usefulness.

KRSs are critically important to effective management of social risks because of the indirect way that social risks have an impact on the business.

To illustrate the distinction between a KRI and KRS, consider the following conventional risks:

Risk Type	Example KRI	Example KRS
Credit risk	Mortgage default rates	Trend in permanent vs temporary employment
Insurance risk	Disability income claims rates for mental health	Trend in GP allocation of time to psychological problems

Examples of KRSs for each of the social risk types are given in Appendix A.

Social Risk Management Strategy

Within the business's Risk Management Strategy (RMS), there is a section on social risks. Key elements of the strategy that pertain to social risks are:

- Define and clearly identify social risks
- Set appetite for social risks
- Establish multiple KRIs and related KRSs for social risks and their development – with a focus on underlying drivers so that there always is a forward perspective
- Ensure regular and effective monitoring and reporting on social risks, and a mechanism for assigning accountability for each identified social risk, including actions to mitigate
- Provide strong and effective Line 2 oversight of social risks
- Provide strong social risks governance from the Board and within management

The RMS sets out responsibilities for the oversight and management of social risks. In particular, it makes clear that:

- The Board is ultimately accountable for an effective risk management framework for social risks, for monitoring its effective implementation by management, and for taking corrective action where necessary.
- The CEO and Leadership Team are responsible for, and accountable to the Board for, the effective implementation of the social risk management framework.
- In Line 2, the Chief Risk Officer is accountable (to the CEO and Board) for fully capturing social risks within the risk management

framework design and implementation. The Social Risk Officer has responsibility for the specifics of social risks in Line 2.

- In Line 3, the Internal and external audit functions provide assurance as to compliance with the RMF as it is applied to social risks, and for the effectiveness of its operation for social risks.

Social Risk Policies and Procedures

Within GBC's Risk Management Framework, there are various policies and procedures in place. Social risks are considered specifically in each policy and procedure as appropriate.

In particular, the following (based on APRA requirements for risks generally) are addressed for social risks:

- the process for identifying and assessing material social risks and controls
- the process for establishing, implementing and testing mitigation strategies and control mechanisms for material social risks
- the process for monitoring, communicating and reporting social risk issues, including escalation procedures for the reporting of material events and incidents.

Reporting

Social Risk KRIs and KRSs are monitored alongside all other KRIs and KRSs. All risk reporting specifically includes social risks.

Each quarter, the Social Risk Officer reports to the Board Risk Committee meeting giving his/her view on the then current condition of the matters to be dealt with by the formal reviews.

Once a year, the SRO is required to produce a Social Condition Report (this being one such report)

Review

Social risks are specifically included in the two mandatory reviews of the RMF:

- review of compliance with, and the effectiveness of, the risk management framework of the institution by internal and/or external audit at least annually.
- a comprehensive review of the appropriateness, effectiveness and adequacy of the institution's risk management framework by operationally independent, appropriately trained and competent persons at least every three years.

Assessment of RMF – social risks

The most recent mandatory three-yearly independent assessment of the appropriateness, effectiveness and adequacy of the GBC RMF took place at 31 December 2020. It was generally positive in its assessment of GBC's activities, and quite complimentary about GBC's position relative to its competitors. There were particular recommendations for improvement in the management of social risks, as summarized below:

- GBC's capabilities to assess social attitudes, community expectations and their trends is still developing. Methodologies are still evolving and skills in the risk management function are below where they need to be. There were recommendations to allocate more resources – internal and external – to the development of social risk management capabilities.
- The concept of social risks is still not well understood by middle management and wider employees. Likewise, the importance of managing social risks is not well-appreciated. Consequently, recommendations were made for more and better training and communication in these areas.
- Consideration of social risks can be weak in some areas e.g. product development and associated marketing. There were recommendations to more deeply embed social risks in the product development and promotion process.

Social Risk Profile

It is noted that the Board considers it critical that GBC has a thorough understanding of prevailing community norms, attitudes and expectations, and that these be thoroughly understood through rigorous analysis.

This in turn helps us to understand GBC's social risk profile.

We have used a simple red/amber/green scoring system to report on the social risk profile, but the comments below and the ratings given are backed up by quite extensive information and analysis. In particular, survey results, focus group outputs and Signal Analysis (as explained earlier in this report) have been used to inform the observations.

The rating for each social risk takes account of a number of factors:

- Likelihood of it causing damage
- Impact if it manifests itself in poor attitudes and behaviour
- Fragility/volatility of social capital – in effect sensitivity to the risk
- The significance of the particular KSG exposed to the risk.

Red/amber/green rating:

-  Residual risk within Appetite
-  Progress made in mitigation, but residual risk outside appetite
-  Unsatisfactory position; residual risk well outside appetite

Status of key elements

With respect to the key elements of the Relational Analytics in the context of social risks (see above), the status is as shown:

- *There is no appetite for inadequate resources and capabilities for monitoring and analyzing social attitudes and community expectations, including their trends;*

 Significant investment has been made in resources and capabilities over 2019 and 2020

- *There is no appetite for anything other than a systematic response across the business to the monitoring and analysis in the point above.*

 Disciplines, procedures and resources are now in place

- *There is no appetite for operating in a way that falls significantly below GBC's best understanding of community expectations.*

 As explained below, much work remains to be done

GBC Social Risk Profile

We have used the framework explained in Appendix A to assess GBC's social risk profile.

Internal Social Risks

- **Cynicism Risk** – *the risk that a business consciously accepts its own poor attitudes and behaviours because it believes it is in its interests to do so.*

Board tolerance/expectation: No tolerance for attitudes or behavior pursuing profit that cynically exploit an imbalance of power or knowledge with customers or other third parties.

Under the GBC Reform Plan there has been a structured process to help understand employee and management attitudes to profit.

Sentiment analysis has shown that there is some confusion in the minds of many employees about priorities – in particular, how far they should go in meeting expectations or demands of customers. There is a feeling with some (particularly older employees) that they are expected at times to engage in practices that don't make sense for GBC.

There is also some evidence that there is stubborn resistance in particular areas of GBC to change from the primacy of "let the buyer beware". This is particular true in areas engaged in trading activities.

Current risk status:



- **Patronism Risk** – *the risk that "we know what is acceptable for our customers/shareholders/the community", when in fact that is not so.*

Board tolerance/expectation: The Board expects all management and employees to treat customers with respect, and to consider their views accordingly. Any decisions made on the basis of perceptions of customers' views and understanding (whether at an individual level or more generically) must be supported by data and proper analysis. Any comment on customer views must always be polite and respectful.

Considerable effort has been expended with employees in relevant departments (in particular, product development and marketing) to help them understand the need for a deep understanding of customer needs and expectations. There is now a much more comprehensive process in place to gain insights into the views of customers as part of product development and marketing. Sentiment analysis of employees in those areas suggests this is well accepted and put to good use.

Current risk status:



- **Self-awareness Risk** – *the risk that a business engages in or effectively condones poor behaviour without realising this is how it would be seen by others.*

Board tolerance/expectation: The Board expects that behavior and attitudes are regularly and systematically monitored and corrected where necessary in light of prevailing community norms, attitudes and expectations.

During and following the Royal Commission, there was considerable publicity given to perceptions of community standards and how they appear to be different to standards commonly accepted within the financial services industry. However, there is evidence that many in employees and management do not accept the position as portrayed by the Royal Commission as being common or normal in the industry. Nonetheless, there is far greater awareness of the need to take into account the damage that can be done by poor behavior and there are disciplines in place to minimize the likelihood of this happening.

Current risk status:



- **Values Risk** – *the risk that the business's espoused values are inconsistent with social expectations.*

Board tolerance/expectation: As part of the annual review of values, purpose, strategy etc, the Board expects that the espoused values be thoroughly vetted against prevailing community attitudes and norms.

Under the GBC Reform Plan, the formal statement of values was reviewed and presented as the Espoused Values. Senior management and the Board at the time were acutely conscious that published values statements had developed a reputation for being little more than a list of platitudes (and the Royal Commission shone a light on this). This was particularly the case with customer relationships.

The GBC Espoused Values were developed with this very much in mind. For example, humility is the first value listed. However, it is well-recognised under the Reform Plan that it will take some time for the Espoused Values to be fully embraced by management and employees. Assessments made towards the end of 2020 show that there is generally a high level of in-principle support for the Espoused Values.

Current risk status:



- **True Values Risk** – *the risk that the actual values, as shown through attitudes and behavior of management and employees, are inconsistent with the espoused values.*

Board tolerance/expectation: The Board expects that the espoused values be embraced across the business. It has no

tolerance for deliberate behavior and attitudes that are inconsistent with those values.

Notwithstanding the high level of in-principle support for the Espoused Values, a significant minority of both management and employees believe that in-practice support is weak in a number of areas. Of particular concern, there is widespread belief that the importance of the quality of customer relationship is not always recognized in behaviours and attitudes of management. Much remains to be done before it could be claimed that the Espoused Values have been embraced.

Current risk status:



- **Insight Risk** – *the risk that the business has a poor appreciation of current social norms and expectations, and/or their pace of change.*

Board tolerance/expectation: The Board expects that the business maintain deep insights into prevailing attitudes and norms and how they are changing. It further expects that these insights will be based on rigorous and systematic research and analysis.

Much has been done to improve GBC's capabilities to understand social attitudes and expectations, their trends and how they might change. Industrial psychologists, clinical psychologists, social media experts and others with new capabilities have been employed or engaged, and that has provided much richer insights than GBC has ever had in the past. Processes have been developed to help understand the implications of these findings for the business. However, all of this work is still in its early stages of development, and much remains to be done.

Current risk status:



External Social Risks

- **Community Tolerance Risk** – *the risk that society's tolerance for certain attitudes and behaviours changes quickly and significantly, catching the business unaware.*

Board tolerance/expectation: The Board expects that as part of the research and analysis conducted for Insight Risk, that

management will form a robust understanding of community tolerance levels and changes.

As per the comments about Insight Risk, GBC's capabilities to understand social attitudes and expectations have improved greatly. Community tolerance levels for various issues (such as how long it takes for GBC to correct an issue or error, or how easy it is to use the website) and how they are changing are assessed as part of the Insights work. Understanding and mitigation of this risk remains work in progress.

Current risk status:



- **Heterogeneity Risk** – *the risk that the differing social attitudes of various segments of the community (generation, gender, ethnic background etc.) are not understood and addressed accordingly.*

Board tolerance/expectation: The Board expects that when researching and analysing social attitudes, careful attention will be paid to differences across sectors of society, and the implications for GBC understood.

As part of work supporting Insight Risk, analysis has been conducted by age group, socio-economic group and other social strata. That is helping give a picture of the differing attitudes and needs of the various generations. However, these insights are yet to be translated in any meaningful way into product or service offerings, and so mitigation has been minimal.

Current risk status:



- **Entitlement Risk** – *the risk that a significant proportion of the community develops a sense of entitlement to services or benefits that is not commercially supportable.*

Board tolerance/expectation: The Board expects that when researching and analysing social attitudes, an understanding will be developed of any sense of entitlement that appears at odds with GBC's expectations, and the implications for GBC understood.

We are seeing evidence of this risk manifesting itself in complaints about conditions in products/policies, particularly when those conditions don't support the customer's immediate interests. The

Royal Commission may have inadvertently added a little fuel to this particular fire.

One area of concern is emerging in disability income insurance claims. Customers in receipt of income benefits are showing an increasing intent to avoid going back to work until they feel completely ready, notwithstanding that medically they may have recovered sufficiently to do so. This has had a major impact on claims costs and business profitability.

This is being addressed by subtle education of all insurance customers about their entitlements, how their insurance is intended to operate etc. Claims employees have been given explicit training in dealing with the situation.

Current risk status:



- **Revenge Risk** – *the risk that a (fairly or unfairly) scorned customer effectively engages the power of social media to exact revenge through generating adverse publicity.*

Board tolerance/expectation: The Board expects that social media will be monitored closely (possibly using AI) for activities by disgruntled customers, and the implications for GBC understood.

First, capabilities have been developed to very closely monitor developing issues for GBC on social and traditional media. These capabilities include services supplied by social media monitoring services, but also Signal Analysis of commentary and on social media and in the press with respect to the particular issue, carried out by True Insights Ltd (as described above).

Secondly, processes have been put in place so that a rapid response plan can be developed and implemented.

These capabilities have been tested on multiple hypothetical and a number of real-life situations. The results have been promising, and management is confident that this risk has been well mitigated.

Current risk status:



- **Litigation Risk** – *the risk of the changing willingness of customers and shareholders to engage in litigation.*

Board tolerance/expectation: The Board expects that litigation activities and trends in financial services will be monitored closely, and the implications for GBC understood.

This is a risk that cannot be controlled and is difficult to mitigate. There is little doubt that society in general is becoming more litigious, and that the legal profession increasingly regards financial services litigation as a fruitful area of work.

Current risk status:



- **Political Opportunism Risk** – *the risk that politicians, perhaps driven by social media, take the opportunity to cynically criticise a business or industry for the politicians' own ends.*

Board tolerance/expectation: The Board expects that the attitudes of politicians to GBC and financial services sector are monitored closely, and the implications for GBC understood. The Board further expects that where attitudes are at odds with GBC's beliefs a structured approach be taken to engaging with relevant people, understanding their concerns and conveying GBC's position.

This is a risk that cannot be controlled and is not readily mitigated. Nonetheless, considerable resources have been devoted to communication with politicians of all colours and their support networks. New methodologies have been developed to help ensure the GBC perspective is quickly and effectively conveyed at various points in the political hierarchy and through the direct use of social media.

A key issue here is the credibility of GBC's messages, particularly in the aftermath of the Royal Commission. This will take time and effort to address properly. In the meantime, this risk will remain significant, and the main mitigation will occur after the event – that is, by responding quickly and appropriately to political damage to GBC or the industry.

Current risk status:



- **Fake News Risk** – *the risk that the media (conventional or other) will take an accusation and blow it up into a major story, whether the accusation has merit or not.*

Board tolerance/expectation: The Board expects that GBC will be well-prepared with a plan, appropriate capabilities and clear responsibilities to respond to any such event. The intent must be to minimise the impact on GBC. The Board also expects that GBC will maintain close relationships with key people in both mainstream media and any other media with influence in any KSG, so that GBC is well-positioned to respond.

This risk has increased over a number of years. In some ways the Royal Commission fueled it using case studies of particularly egregious behavior by institutions and giving the impression that the case studies were typical of behaviour more generally.

As pressure continues to mount on conventional media from the rapid evolution of alternative news sources (such as Facebook), it is likely they will seek to use sensationalism to attract readership. Stories about poor behaviour – real or perceived – by financial institutions are likely to become more common.

The responses mentioned in Political Opportunism Risk (above) are relevant here also.

Current risk status:



- **Reverse Fake News Risk** – *the risk that a valid concern is dismissed as fake news. In other words, fake fake news: incident occurs (news); someone with skin in the game says don't worry, not important (that is, the news is fake news).*

Board tolerance/expectation: The Board expects that GBC will be alert to this risk and will otherwise be prepared as set out for the Fake News risk.

This risk is likely to manifest itself in rejection by social and conventional media of arguments GBC puts in response to misrepresented emerging issues. It will be partly a function of GBC credibility, but there also will be circumstances where GBC's position will be dismissed because it suits the media in its propagation of the story to do so.

It will take time for the inherent level of this risk to retreat.

The responses mentioned in Political Opportunism Risk (above) are relevant here also.

Current risk status:



- **Post-fact risk** – *the risk that statements are made purporting to be true, even though they demonstrably are not, and notwithstanding this, they gain currency*

Board tolerance/expectation: The Board expects that GBC will be alert to this risk and will otherwise be prepared as set out for the Fake News risk.

This risk has emerged as a major issue in American politics in particular. It is less of an issue here, though it is seen – for example with pseudo-science arguments in support of an issue.

Arguably, it was seen in some cases in the Royal Commission where arguments about banks and their practices were developed to suit the interests of aggrieved parties.

This risk has been grouped with Reverse Fake News Risk for risk management purposes.

Current risk status:



Recommendations:

- Continue to develop social risk assessment and management capabilities.
- Include commentary on social risks in quarterly reports to Board from CRO.
- Develop and implement mitigation and management plans for each social risk.

Section G: Conclusions

Conclusions

The GBC Reform Plan was initially well-received internally, but levels of cynicism have increased dramatically. This is partly due to a perception that GBC is not living and breathing the Reform Plan (e.g. with certain product pricing). This not only affects the employee relationships but has flow-on effects to the customer relationships.

There are also multiple concerns with employee culture and relations with employees more generally, particularly in specific parts of the business.

The use of Relational Analytics and Signal Analysis suggest that relationships need significant improvements in a number of areas, particularly with retail banking customers, Wealth customers, and politicians.

The market, the media and politicians remain very sceptical about GBC's rationale, belief in and implementation of the Reform Plan. Much work is needed to address this.

Social risks are not yet well understood or managed, and much work remains to be done here also.

Social goodwill/capital and its importance is not yet well-understood or managed, but considerable progress has been made this year.

The Outlook

The overall quality of relationships is well below GBC's desired position. Correspondingly, social goodwill has considerable scope for improvement.

If the Recommendations are implemented, then we would expect very significant gains over the next three years, with noticeable improvements over the next 12 months. This will require real commitment and a concerted effort across GBC.

Appendix A: Social Risks – Definition and examples

Social risks are those risks that a business is exposed to as a result of **decisions and behavior that are inconsistent with prevailing social attitudes and norms and how they are changing**, and which could damage the business's key social relationships.

Internal Social Risks

- **Cynicism Risk** – the risk that a business consciously accepts its own poor attitudes and behaviours because it believes it is in its interests to do so. An example of this might be tobacco companies promoting smoking in developing countries to young people. Another might be the systematic underpayment of employees in franchise businesses.

Key Risk Sensor example:

- *Analysis of employee culture assessments – in particular for the senior employees subset – informed by Signal Analysis.*
- *A significant difference in the relational proximity® assessment in the Purpose domain for GBC and employees, perhaps indicating a disconnect between Board/management beliefs and those of employees.*

- **Patronism Risk** – the risk that “we know what is acceptable for our customers/shareholders/the community”, when in fact that is not

Key Risk Sensor example:

- *A significant difference between the perspectives of each KSG and GBC in the relational proximity assessment in the domains of Information and Purpose*
- *Analysis of customer/shareholder/government commentary/complaints and responses for indications of hubris.*

- **Self-awareness Risk** – the risk that a business engages in or effectively condones poor behaviour without realising this is how it would be seen by others. The entertainment business may have suffered from this risk with the sexual harassment accusations that have emerged in recent months – it seems some of the practices were well-known, but a blind eye was turned.

Key Risk Sensor example:

- *Analysis of employee culture assessments – in particular for the senior employees subset – informed by Signal Analysis.*
- **Values Risk** – the risk that the business’s espoused values are inconsistent with social expectations. Most financial services companies would have (carefully cultivated) espoused values that would sit comfortably with most people. However, some financial planning or real estate firms, for example, might foster a strong sales culture which would possibly be inconsistent with customer expectations.

Key Risk Sensor example:

- *Analysis of any disconnect between the perspectives of each KSG and GBC in the relational proximity assessment in the domains of Communication and Purpose*
- *Analysis of employee culture assessments and employee surveys – informed by Signal Analysis.*
- **True Values Risk** – the risk that the actual values, as shown through attitudes and behavior of management and employees, are inconsistent with the espoused values. Most companies in financial services will have suffered from the consequences of this risk – perhaps driven by culture or remuneration. An example of this might be setting targets and rewarding sales by bank branch employees, which then led to customer outcomes at odds with the espoused values. The banks would probably argue that transgressions by certain employees in recent years were completely inconsistent with their espoused values. Enron provided another great example^K – its espoused values were exemplary, but its practices were far from so.

Key Risk Sensor example:

- *Analysis of any disconnect between the perspectives of each KSG and GBC in the relational proximity® assessment in the domains of Communication and Purpose*
- *Analysis of employee culture assessments and employee surveys – informed by Signal Analysis.*
- **Insight Risk** – the risk that the business has a poor appreciation of current social norms and expectations, and/or their pace of change.

A good example of this is the life insurance industry in its coverage of mental health. Changes in attitudes to mental health in more recent years (people more willing to acknowledge mental un-wellness and

^K The Journal of Values-Based Leadership 2011 *A Tale Of Two Cultures: Why Culture Trumps Core Values In Building Ethical Organizations.* <http://scholar.valpo.edu/jvbl/>

to talk about it, more willing to make a disablement claim because of mental health issues, more willing to engage lawyers to pursue such a claim etc.) have been pronounced. This has led to increasing numbers of claims for life insurers. The industry was mostly ill-prepared for this phenomenon, and is still struggling with the issue.

The banks also have been hit because of changing social attitudes - society has become (rightly) far less tolerant of poor practices by banks e.g. pricing, trading behaviour, selling practices in branches, remuneration.

Key Risk Sensor example:

- o *Analysis of any disconnect between the perspectives of each KSG and GBC in the relational proximity assessment in the domains of Communication and Information*
- o *Analysis of specially-commissioned surveys of employees and management and Board on current societal norms and expectations vs surveys of KSGs. The particular issues to be surveyed must be chosen carefully and with some insight – so external, non-industry help is needed.*

External Social Risks

- **Community Tolerance Risk** – the risk that society's tolerance for certain attitudes and behaviours changes quickly and significantly, catching the business unaware. The sexual harassment issue mentioned above is a good example of this.

Key Risk Sensor example:

- o *Trends in relational proximity scores*
 - o *Analysis of complaints received by GBC, including use of language and assessment of expectations*
 - o *Changes in community attitudes informed by Signal Analysis of media (including social media) and communications with GBC.*
- **Heterogeneity Risk** – the risk that the differing social attitudes of various segments of the community (generation, gender, ethnic background etc.) are not understood and addressed accordingly. This can be driven by inequity. An example of these differing attitudes is provided by the baby boomers and the millennials with respect to home ownership and the associated (arguable) generational inequity. The UK Brexit vote showed markedly different attitudes between young voters and older voters^L – the young (those most affected by leaving the EU) voted to remain, the old voted to leave.

^L YouGov 2016. <https://yougov.co.uk/news/2016/06/27/how-britain-voted/>

Key Risk Sensor example:

- o *Trends in relational proximity scores*
- o *Signal Analysis of media (including social media)*

- **Revenge Risk** – the risk that a (fairly or unfairly) scorned customer effectively engages the power of social media to exact revenge through generating adverse publicity. It will be interesting to see if the Royal Commission finds any examples of this.

Key Risk Sensor example:

- o *Signal Analysis of relevant social media commentary; analysis of radio and television commentary e.g. shock jocks) and investigations*

- **Litigation Risk** – the risk of the changing willingness of customers and shareholders to engage in litigation. Examples here include class actions on behalf of shareholders, and the active involvement of legal practitioners in the disability claims process for life insurers. The latter is very evident in radio ads during the day for example, and more than likely has had a significant impact on claims volumes (rightly or wrongly).

Key Risk Sensor example:

- o *Analysis of litigation in the community more generally, but particularly in financial services.*
- o *Signal Analysis of social media and political commentary on lawyers, litigation, financial services etc. for suggestions of increased propensity to take action.*

- **Political Opportunism Risk** – the risk that politicians, perhaps driven by social media, take the opportunity to cynically criticise a business or industry for the politicians' own ends. It could be argued that we see that in Australian politics today.

Key Risk Sensor example:

- o *Signal Analysis of comments by politicians (both within and outside parliament) and political commentators.*

- **Fake News Risk** – the risk that the media (conventional or other) will take an accusation and blow it up into a major story, whether the accusation has merit or not. This might be supported by trolling from readers. There is some evidence of this happening following evidence and cross examination at the Royal Commission, where examples of egregious behavior were portrayed by the press as an indication of an endemic problem.

Key Risk Sensor example:

- o *Analysis of fact checks, treatment of political commentary by mainstream press and social media (including reader comments on press articles).*

- **Reverse Fake News Risk** – the risk that a valid concern is dismissed as fake news. In other words, fake fake news: incident occurs (news); someone with skin in the game says don't worry, not important (that is, the news is fake news). The recent experience with US politics comes to mind here!

Key Risk Sensor example:

- o *Analysis of commentary on positive actions taken by GBC which result in improved terms/service for customers, which should be reflected in better relationships with KSGs.*

- **Post-fact risk** – the risk that statements are made purporting to be true, even though they demonstrably are not, and notwithstanding this, they gain currency^{M N}. The US President has been accused of this^O. This risk could result in significant damage to a business's reputation.

Key Risk Sensor example:

- o *Analysis of truthfulness by politicians through fact-check services etc.*

- **Entitlement Risk** – the risk that a significant proportion of the community develops a sense of entitlement to services or benefits that is not commercially supportable. An example of this might be a belief that responsibility for a loan default lies with the lender in virtually all cases, and that the defaulter therefore is not liable for losses.

Key Risk Sensor example:

- o *Signal Analysis of relevant social media commentary and of radio and television and press commentary and investigations;*
- o *Analysis of industry and GBC complaints and legal disputes.*

^M New York Times 20 October 2017 *How Fiction Becomes Fact on Social Media.*

<https://www.nytimes.com/2017/10/20/health/social-media-fake-news.html? r=0>

^N Sydney Morning Herald 30 September 2017 *Our bulldust detectors seem to be on the blink.*

<http://www.smh.com.au/business/comment-and-analysis/our-bulldust-detectors-seem-to-be-on-the-blink-20170929-gyr68u.html?btis>

^O CNN 14 November 2017 *Donald Trump says something that isn't true 5.5 times a day.*

<http://edition.cnn.com/2017/11/14/politics/trump-fact-checker-1628/index.html>

Appendix B: Formal Statements

GBC's vision is that:

GBC will be a highly-effective and efficient provider of banking and related non-banking services to the retail and commercial markets in Australia, and will be the most highly-regarded in those markets for the quality of customer relationships, providing a fair return to its shareholders in the process. It will be considered a crucial member of society and contributor to the economy.

GBC's Purpose is:

to positively influence the development of Australia's society and economy by providing competitive, effective and fair financial services which surpass the community's needs and expectations.

GBC's Mission is:

to provide effective and efficient banking and related services to the retail and commercial markets in Australia, in a way that provides a good return on capital to shareholders while operating within clear and thoroughly understood risk boundaries

GBC's strategy can be summarised as follows:

GBC will place at its core the quality of its social interactions with its customers and the wider community in which it operates. It will excel in monitoring, understanding and responding to its customers' needs and views, as well as attitudes in the wider society. Its communication with its customers and its interactions with society will be of fundamental importance to GBC, and GBC will ensure these will be of the highest standard. It will provide fair, straightforward and transparent services and products. It will constantly and thoroughly monitor technological developments and society's attitudes and needs for new services that technology may enable, and it will ensure that it is a leader in the market in this respect. It will make available to customers multiple methods for dealing with GBC. These will partly reflect expectations of customers, but also their anticipated needs, and GBC will constantly monitor opportunities for innovation to ensure it is a leader in the ways it interacts with its customers. GBC will strive to thoroughly 'get to know' its customers and will design services and offerings to support their purposes and goals. GBC will aim to build a long-term 'story' with each customer and support them through life changes and events. GBC's risk management skills will be of the highest standard and will be regularly benchmarked against world-best practice.