

Consequence Management Framework

How an organisation responds fairly, consistently and proportionately to risk, conduct and compliance failures, and recognises people who speak up. Ready to adapt for your organisation.

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How to use this industry framework. Adopt the structure, terms and severity ratings as written, so that your organisation speaks the same language as the rest of the industry. Fill in the text in [square brackets] with your organisation's details, set the timeframes and decision rights to match your size and structure, delete obligations that do not apply to you, and approve the Framework through your governance process. Employment law, privacy and industrial instruments (awards, enterprise agreements, contracts) differ between organisations: have the Framework reviewed by your employment lawyer before you adopt it. Regulatory requirements are summarised as at October 2026: confirm the current requirements that apply to your organisation before relying on them. This template is general information only, provided free of charge, and is used at your own risk (see the disclaimer at the end).

Document control

Item	Detail
Document	Consequence Management Framework
Organisation	[Organisation name]
Document owner	[Chief People Officer], jointly with the [Chief Risk Officer]
Approved by	[Board], on the recommendation of the [Board Remuneration Committee] and the [Board Risk Committee]
Version / date approved	[1.0] / [date]
Review cycle	At least [annually], and after any material change in regulation, employment law, structure or a significant conduct event
Parent documents	the RiskFA Risk Management Framework, [Code of Conduct] and the RiskFA Remuneration Policy

1. Purpose

This Framework sets out how [Organisation] responds when a person does not meet the standards of conduct, risk management and compliance expected of them, and how it recognises people who do the right thing. It ensures that:

- risk, conduct and compliance failures have **fair, consistent and proportionate** consequences, whoever is involved and however senior they are;
- every matter is investigated properly and the person concerned is treated with procedural fairness;
- outcomes are reflected in performance ratings and variable remuneration, as the RiskFA Remuneration Policy requires;
- people who raise concerns, report incidents early and own their mistakes are protected and recognised;
- regulatory obligations that follow from a consequence decision (for example FAR notifications and reference checks) are met on time; and
- the Board can see whether consequences are being applied consistently across the organisation.

APRA Prudential Standard CPS 511 *Remuneration* defines **consequence management** as the approach to managing performance, risk and conduct outcomes, which may include downward adjustments to variable remuneration (CPS 511 para 20(d)). For significant financial institutions (SFIs), CPS 511 requires variable remuneration outcomes to link to, and be supported by, the entity's performance management system, code of conduct and consequence management processes (para 46). This Framework is that consequence management process.

2. Scope and application

This Framework applies to all employees, directors, officers and contractors of [Organisation] and its subsidiaries, including people employed by a related body corporate or service company who work in [Organisation]'s business. For contractors and people engaged through service providers, consequences are applied through the contract and the service provider, and the matter is still recorded and reported under this Framework.

If [Organisation] is

Main requirements this Framework supports (as at October 2026)

If [Organisation] is	Main requirements this Framework supports (as at October 2026)
An APRA-regulated entity (ADI, general insurer, life company, private health insurer, RSE licensee or authorised NOHC)	CPS 511: consequence management processes, variable remuneration adjustment criteria and tools, no vesting during an investigation (paras 33(c), 34(b), 37–39, 46 for SFIs; paras 78(c), 80–82 for non-SFIs); disclosure of how consequence management is applied (paras 73, 98(c) and (e)).
An accountable entity under FAR (ADIs from 15 March 2024; insurers and RSE licensees from 15 March 2025)	Accountable persons' obligations (FAR s21); a remuneration policy that reduces variable remuneration in proportion to a failure (s25(1)(b)); notification of dismissal, suspension, variable remuneration reduction or a reasonably believed breach within 30 days (ss 31, 32).
An AFS licensee or credit licensee that employs or authorises financial advisers or mortgage brokers	Reference checking and information sharing protocol (Corporations Act s912A(1)(cc); NCCP Act s47(1)(ea); ASIC Instrument 2024/647).
An ADI that subscribes to the ABA protocol	<i>Banking Industry Conduct Background Check Protocol</i> (Australian Banking Association).
Any employer in the national workplace relations system	<i>Fair Work Act 2009</i> : unfair dismissal (Part 3-2), general protections (Part 3-1), notice of termination (s117). Whistleblower protections in <i>Corporations Act 2001</i> Part 9.4AAA.

CPS 511 does not apply to the extent it would require an entity to act, or not act, in a manner contrary to the *Fair Work Act 2009* (CPS 511 para 8). Where this Framework and an employment contract, award or enterprise agreement differ, follow the instrument that binds you and take legal advice.

3. Key definitions

Term	Meaning
Consequence management	The approach to managing performance, risk and conduct outcomes, which may include downward adjustments to variable remuneration (CPS 511 para 20(d)).
Misconduct	An action or inaction by a person that does not meet applicable legal and prudential obligations; requirements or standards of a recognised professional body; or the organisation's policies and procedures covering conduct and ethical standards (CPS 511 para 20(l)).
Serious misconduct	Has its ordinary meaning and includes wilful or deliberate behaviour inconsistent with the continuation of the employment contract, and conduct that causes serious and imminent risk to health or safety or to the reputation, viability or profitability of the business, such as theft, fraud or assault (Fair Work Regulations 2009 reg 1.07). It is a matter for legal advice in each case.
Breach	A failure to comply with a legal, regulatory, licence or contractual obligation, or with an internal policy (as defined in the RiskFA Incident & Issues Management Standard).
Conduct matter	An allegation or finding that a person has breached this Framework's standards (section 7), recorded as a case under this Framework.
Respondent	The person whose conduct is being investigated.
Severity rating	The Critical, High, Medium or Low rating of a conduct matter, set under section 8.
Culpability	The person's state of mind and degree of responsibility: deliberate, reckless, negligent or inadvertent (section 8).
Variable remuneration adjustment tools	Overriding Board discretion, in-period adjustment, malus and clawback (CPS 511 para 33(c)). In-period adjustment is an adjustment during the performance measurement period; malus reduces deferred variable remuneration before it vests; clawback recovers variable remuneration that has been paid or vested (CPS 511 para 20(b), (h), (j)).
Accountable person	A person registered as an accountable person of [Organisation] under the <i>Financial Accountability Regime Act 2023</i> (FAR), where it applies.

Term	Meaning
Speaking up	Raising a concern, reporting an incident, near miss or breach, or making a whistleblower disclosure, in good faith.

4. Principles

Consequence management at [Organisation] follows these principles. They are the test every decision is checked against.

1. **Fairness.** Decisions are based on facts and evidence, made by people without a conflict of interest, and take account of the person's circumstances and any mitigating factors.
2. **Consistency.** Similar conduct leads to similar consequences, whatever the person's seniority, revenue contribution, business unit or personal characteristics. Decisions are checked against precedent (section 20).
3. **Proportionality.** The consequence matches the severity of the outcome and the person's culpability. Variable remuneration adjustments are proportionate to the severity of the risk and conduct outcome, and can be to nil (CPS 511 paras 33(c)(iii) and 38).
4. **Procedural fairness.** The person is told what is alleged, sees the substance of the evidence, has a genuine opportunity to respond, may bring a support person to meetings, and is told the outcome and the reasons.
5. **Timeliness.** Matters are investigated and decided promptly, so that consequences are linked to the conduct, remuneration decisions are not delayed, and regulatory deadlines are met.
6. **Accountability rises with seniority.** Leaders are accountable for the conduct and risk culture of their teams, and for the reasonable steps they took to prevent failures in their areas.
7. **Speaking up is safe.** No one suffers detriment for raising a concern in good faith. Self-reporting and cooperation are mitigating factors.
8. **Fix the system, not only the person.** Every matter is also checked for root cause in processes, systems, incentives and culture, under the RiskFA Incident & Issues Management Standard.
9. **Confidentiality.** Information is shared only with those who need it, and whistleblower identities are protected.

5. Three lines of accountability

Line	Who	Responsibilities
First line	Business units, people leaders	Set expectations; identify and report conduct matters; apply minor consequences within delegation; implement decisions; recognise good conduct; fix root causes in their areas.
Second line	Risk and Compliance; People and Culture (as framework owner)	Own this Framework; triage and track matters; provide independent challenge on severity ratings and outcomes; run consistency analysis; report to the Board committees; assess regulatory notifications.
Third line	Internal Audit	Independently assess whether this Framework is designed and operating effectively, including consistency of outcomes and the link to remuneration.

6. Roles and responsibilities

Role	Responsibilities
Board	Approves this Framework; approves consequence outcomes, and variable remuneration outcomes, for the CEO and for senior managers and executive directors individually where CPS 511 requires it (paras 52, 87); holds management to account for a consistent approach.
Board Remuneration Committee	Recommends this Framework; decides, or recommends to the Board, consequences and remuneration adjustments for the CEO, executives, accountable persons and other [specified roles] ; reviews consistency reporting (section 20); consults the Board Risk Committee and CRO on risk outcomes through a documented process (CPS 511 para 30, SFIs).
Board Risk Committee	Provides input on risk and conduct outcomes to the Board Remuneration Committee; receives reporting on conduct themes and root causes.
CEO and executive team	Lead a culture of accountability and speaking up; sit on or chair the [Consequence Management Committee] ; apply this Framework in their areas.
Accountable persons (FAR, where applicable)	Meet their FAR s21 obligations, including taking reasonable steps in their areas to prevent matters that would adversely affect prudential standing or reputation, or result in material contraventions of the relevant laws. Taking reasonable steps includes taking appropriate action in response to non-compliance or suspected non-compliance (FAR s22(d)).
Chief People Officer	Co-owns this Framework; runs the investigation and case management process; advises on employment law; maintains the case register.
Chief Risk Officer	Co-owns this Framework; provides independent risk input on severity and remuneration outcomes; ensures the link to incidents, issues and risk appetite.
Head of Compliance / General Counsel	Advise on legal and regulatory implications, legal privilege, regulatory notifications (including FAR and ASIC), reference checking and whistleblower obligations.

Role	Responsibilities
[Consequence Management Committee]	Decides severity ratings and consequences for matters rated High or Critical, and for matters referred to it (section 11).
Investigator	An appropriately skilled person, independent of the matter, who establishes the facts and reports findings (section 10).
People leaders	Raise matters promptly; apply consequences within their delegation for Low matters; record outcomes; support affected staff.
All staff	Meet the [Code of Conduct] and policies; speak up; cooperate honestly with investigations; keep matters confidential.

7. What triggers consequence management

A conduct matter is opened when there are reasonable grounds to suspect that a person has done, or failed to do, any of the following. The list is not exhaustive.

Trigger category	Examples
Risk management breaches	Operating outside risk appetite, tolerances, limits or delegations without approval or escalation; overriding or bypassing a key control; failing to perform or evidence a control; failing to identify or record a known risk; accepting a risk without the required authority (RiskFA Risk Management Framework).
Incident & Issues Management Standard breaches	Concealing an incident, breach or issue; late recording or late escalation; deliberate under-rating; failing to refer a possible breach to Compliance; altering or destroying evidence; repeatedly overdue actions; closing issues without evidence (RiskFA Incident & Issues Management Standard section 18).
Compliance and policy breaches	Breaches of the [Code of Conduct] or of a Board-approved policy (for example information security, privacy, AML/CTF, conflicts of interest, gifts and entertainment, trading, AI acceptable use); failure to complete mandatory training or attestations.
Conduct affecting customers	Unfair treatment of customers or members; mis-selling; failing to act in the customer's best interests where that duty applies; ignoring signs of vulnerability; mishandling complaints; failing to follow design and distribution obligations.

Trigger category	Examples
Breaches of law or licence obligations	Contravening the financial services laws, credit legislation, prudential requirements, privacy law, AML/CTF law, competition or consumer law, or professional standards.
Misconduct	Dishonesty, fraud, theft, falsifying records, misuse of customer data or systems, bribery, misleading regulators, auditors or the Board, conflicts of interest not disclosed.
Workplace behaviour	Bullying, sexual harassment, discrimination, victimisation, threats, or detriment to anyone who has spoken up or made a whistleblower disclosure.
Accountability and leadership failures	A leader or accountable person failing to take reasonable steps to prevent, detect or respond to failures in their area; tolerating poor conduct; failing to escalate.
Retaliation and obstruction	Any detriment, threat or pressure on a person because they reported a concern, cooperated with an investigation or made a disclosure; obstructing an investigation.

A matter can be triggered by any source: incidents and issues, risk and control assessments, complaints, whistleblower disclosures, internal or external audit, regulator findings, data analytics, manager observation or self-report.

8. Rating the severity of a conduct matter

Every conduct matter is given a **severity rating** of Critical, High, Medium or Low, using the same scale as the RiskFA Risk Management Framework and the RiskFA Incident & Issues Management Standard. The rating combines two things: the **impact** of the outcome and the person's **culpability**.

1. **Rate the impact.** Use the incident rating of the related incident (the highest rating reached on any of the six impact categories: Financial; Customers; Regulatory and legal; Operations and critical operations; Information security and privacy; Reputation). Where there is no related incident, rate the realistic worst-case impact the conduct could have caused.
2. **Assess culpability** using the table below.
3. **Apply the rules** below to reach the severity rating.
4. **Consider aggravating and mitigating factors** when choosing the consequence within the range for that rating (section 12 and Appendix A).

Culpability	Meaning
Deliberate	The person knew the conduct was wrong and did it anyway, including dishonesty, concealment and falsification.
Reckless	The person was aware of a substantial risk that the conduct was wrong or would cause harm, and went ahead without justification.
Negligent	The person did not take the care that a reasonable person in their role, with their training, would have taken.
Inadvertent	A genuine mistake despite reasonable care, with no pattern of similar mistakes.

Rule	Effect on the severity rating
Starting point	The severity rating starts at the impact rating.
Dishonesty, concealment, falsification, deliberate under-rating, retaliation against a person who spoke up	At least High , whatever the impact. Critical if the impact is High or Critical, or the person is a senior manager or accountable person.
Reckless conduct	At least Medium , and one level above the impact rating where the impact is Medium or higher (capped at Critical).
Negligent conduct	The impact rating.
Inadvertent error, promptly self-reported, first occurrence	The impact rating may be lowered by one level, with second line agreement and a recorded reason. Never below Low.
Repeat conduct (same or similar matter within [24 months])	One level higher than it would otherwise be (capped at Critical).
Bullying, sexual harassment, discrimination	Rated on the harm to the affected person and the seriousness of the conduct; at least Medium ; usually High or Critical when substantiated.

Downgrading a severity rating needs second line agreement and a recorded reason.

Downgrading a Critical rating needs the approval of the [Chief Risk Officer] and [Chief People Officer] jointly. The [Consequence Management Committee] may always raise a rating.

9. Identifying, referring and triaging a matter

- Any person who becomes aware of a possible conduct matter tells their manager, People and Culture, Risk or Compliance, or uses the RiskFA Whistleblower Policy channels. Managers must refer every possible matter rated Medium or above to People and Culture within [2 business days] .
- Matters arising from incidents are linked to the incident record. The incident owner refers the people aspects of an incident rated High or Critical to People and Culture when the incident is recorded.
- People and Culture records the matter in the [case management system] within [2 business days] , gives it a provisional severity rating, and agrees with second line who will investigate and who will decide (section 11).
- A matter that involves a possible whistleblower disclosure is handled under the RiskFA Whistleblower Policy. The discloser's identity, and information likely to identify them, must not be disclosed except as the law permits.
- A matter that involves an accountable person, the CEO, a senior manager or an executive director is reported to the [Chair of the Board Remuneration Committee] and the [General Counsel] within [2 business days] .

9.1 Interim measures

While a matter is investigated, [Organisation] may take interim measures to protect customers, staff, evidence and the organisation. Interim measures are not a finding and not a consequence. They include:

- removing or limiting system access, delegations, authorities or customer contact;
- a change of duties, location or reporting line;
- directing the person not to contact witnesses about the matter;
- suspension or stand-down **on full pay**, where the seriousness of the allegation justifies it (check the employment contract and industrial instrument); and
- **holding variable remuneration**: CPS 511 requires that where a person is under investigation for any of the adjustment criteria (misconduct leading to significant adverse outcomes; significant risk management failures; significant failures of accountability, fitness and propriety or compliance obligations; significant errors or misstatements; significant adverse customer outcomes), variable remuneration must not vest until the investigation is closed (CPS 511 paras 37, 39, 80, 82). People and Culture notifies [Reward] of every such matter within [2 business days] so that vesting and payment are held.

10. Investigation

The purpose of an investigation is to establish the facts fairly, so that a sound decision can be made. The depth of the investigation is proportionate to the severity rating.

Severity (provisional)	Who investigates	Target time to complete the investigation
Critical	An investigator independent of the business unit, usually [Group Investigations] or an external investigator engaged through [General Counsel] (consider legal professional privilege)	[30 business days]
High	[Group Investigations] or a trained investigator independent of the business unit	[30 business days]
Medium	A trained investigator or a manager not involved in the matter, supported by People and Culture	[20 business days]
Low	The person's manager, supported by People and Culture where needed	[10 business days]

Extensions are approved by the [Chief People Officer] and recorded with reasons. The respondent is kept informed of progress at least every [20 business days].

10.1 Investigation steps

1. **Plan.** Set the terms of reference: the allegations, the policies and obligations concerned, the scope, the evidence needed and the timeline. Check the investigator has no conflict of interest.
2. **Preserve and collect evidence.** Secure records, system logs, emails, call recordings and documents early. Nothing is altered or destroyed.
3. **Interview witnesses.** Keep a written record of each interview.
4. **Put the allegations to the respondent.** Give the respondent the allegations in writing with enough detail and the substance of the evidence to respond meaningfully, reasonable time to prepare, the opportunity to respond in an interview and in writing, and the right to bring a support person.
5. **Consider the response** and make any further enquiries it raises.
6. **Make findings.** For each allegation, find whether it is substantiated, not substantiated or unable to be determined, using the standard of the balance of probabilities and giving more weight to clear evidence the more serious the allegation. Record the reasons.
7. **Assess culpability and contributing factors**, including process, system, supervision, workload, incentive and culture factors, and refer any control gaps as issues under the RiskFA Incident & Issues Management Standard.
8. **Report** to the decision-maker. The report states the facts and findings; it does not decide the consequence.

10.2 Procedural fairness and wellbeing

- The respondent is presumed not to have engaged in the conduct until findings are made.
- A person who is the subject of an allegation, a witness or a person who raised the matter is offered support, for example through the **[Employee Assistance Program]**.
- Unreasonable refusal to allow a support person at discussions relating to dismissal is a matter the Fair Work Commission takes into account (Fair Work Act s387(d)).
- Investigations into regulated persons (for example financial advisers and mortgage brokers) must also consider the information that may later need to be shared in a reference (section 18).

11. Decision-making

The person or body that decides the consequence is separate from the investigator. Decisions are made on the investigation findings, the severity rating, the respondent's response, precedent and the consequence matrix (Appendix A).

Matter	Decision-maker	Required input
Low	The respondent's manager, with their manager's agreement	People and Culture advice; outcome recorded in the case register
Medium	The respondent's [executive general manager]	People and Culture and second line review of rating and outcome; precedent check
High or Critical	[Consequence Management Committee]	Investigation report; CRO and People and Culture recommendations; precedent check; Legal advice where employment or regulatory risk is significant
CEO, senior managers, executive directors and accountable persons (any rating)	[Board Remuneration Committee], with recommendations to the [Board] where the Board must approve	[Consequence Management Committee] recommendation; Board Risk Committee and CRO input (CPS 511 para 30); FAR notification assessment
Termination of employment	[CEO] or [Chief People Officer] as delegated, on the recommendation of the decision-maker above	Legal review before the decision is communicated

11.1 The Consequence Management Committee

- **Membership:** [Chief People Officer] (chair), [Chief Risk Officer], [General Counsel / Head of Compliance], [one or two executives not from the business unit involved]. A quorum is [three], including the chair or the CRO.
- **Independence:** a member with a conflict of interest, or who manages the respondent, does not take part. The respondent's executive may attend to give context but does not vote.
- **Meetings:** at least [monthly], and as needed for urgent matters. Decisions and reasons are minuted.
- **Outputs:** the severity rating, the findings accepted, the consequence, any variable remuneration recommendation to the Board Remuneration Committee, root cause referrals, and regulatory notification referrals.
- **Reporting:** the Committee reports to the Board Remuneration Committee at least [quarterly] (section 20).

11.2 Telling the person and the right of review

- The respondent is told the findings, the consequence and the reasons in writing, as soon as practicable after the decision.
- The respondent may ask for a review within **[10 business days]** on the grounds that the process was unfair, new evidence is available or the consequence is disproportionate. A review is decided by a person or body not involved in the original decision. A review does not delay a termination that has been decided, unless the reviewer directs otherwise.
- Where appropriate and lawful, the person who raised the matter is told that it has been dealt with, without disclosing confidential details.

12. The range of consequences

Consequences range from support and development to termination of employment. More than one consequence can apply to the same matter, for example a written warning, a performance rating impact and a variable remuneration adjustment. Appendix A sets the normal range for each type of breach and severity rating.

Consequence	What it involves	Typically used for
Counselling and feedback	A documented conversation that sets clear expectations, recorded on the person's file.	Low matters; inadvertent errors
Training, coaching or closer supervision	Targeted training or coaching, or a period of increased supervision or quality checking. Training is a development action; on its own it is not an adequate consequence for deliberate or reckless conduct.	Low and Medium matters; capability gaps
Formal written warning	A written warning that further conduct of this kind may lead to further disciplinary action, including termination. Kept on file for [12–24 months] .	Medium matters; repeat Low matters
Final written warning	A written warning that further conduct is likely to lead to termination.	High matters; repeat Medium matters
Performance rating impact	The behaviour, risk or conduct component of the person's performance rating is reduced, applied through the RiskFA Remuneration Policy scorecard rules.	Medium matters and above; leaders accountable for their area

Consequence	What it involves	Typically used for
Variable remuneration adjustment	In-period adjustment of the current year's award, malus of unvested deferred awards, or clawback of paid or vested awards, potentially to nil (section 13).	Matters meeting the CPS 511 adjustment criteria; Medium matters and above
Fixed remuneration impact	Deferral or reduction of a planned fixed remuneration increase, where the contract and industrial instrument allow.	High and Critical matters
Removal of delegations, authorities or access	Removal or reduction of financial or credit delegations, approval authorities, trading limits, system access or authorisation to provide advice.	Where the conduct shows the person should not hold the authority
Change of role, removal from a leadership role or demotion	Moving the person to a different role. A demotion that significantly reduces remuneration or duties may be a dismissal under the Fair Work Act (s386(2)(c)): take legal advice.	High and Critical matters; leadership failures
Termination of employment or engagement	Termination with notice (or payment in lieu) or, for serious misconduct, without notice (Fair Work Act s117 and s123(1)(b)). Contractors' engagements are ended under the contract.	Critical matters; serious misconduct; repeated High matters after a final warning
Other actions	Recovery of losses through civil action; referral to police; notification to regulators or professional bodies; change to a registered or authorised status.	As required by law or approved by the [Consequence Management Committee]

12.1 Aggravating and mitigating factors

Aggravating factors (point to the upper end of the range)	Mitigating factors (point to the lower end of the range)
Dishonesty, concealment or attempts to mislead the investigation	Prompt self-reporting and full, honest cooperation
Harm to customers, particularly vulnerable customers	Action taken to stop harm and help remediate customers
Seniority, and the example set to others	Unclear policy, inadequate training or systems that made the error more likely
Repeat conduct, or prior warnings for similar conduct	Good conduct record and length of service
Personal gain, including variable remuneration or sales credit	Pressure or instruction from a more senior person (which is itself a matter to investigate)
Retaliation against someone who spoke up	Personal circumstances that contributed, such as illness (consider the general protections in section 15)

13. Performance and variable remuneration outcomes

Conduct outcomes flow into performance and remuneration outcomes through the RiskFA Remuneration Policy. The two documents must be read together.

- Every conduct matter rated Medium or above, and every substantiated Low matter for a person in a [specified role], is reported to [Reward] for the next performance and remuneration cycle.
- CPS 511 requires the determination of each component of a person's variable remuneration to be adjusted downwards, potentially to nil, for adverse risk and conduct outcomes based on clearly defined risk criteria (para 34(b)), and requires reasonable steps to adjust variable remuneration downwards when any of the para 37 criteria are satisfied (para 38). For non-SFIs the equivalent requirements are paras 80–81.
- The adjustment tools are applied in this order: in-period adjustment of the current year; then malus of unvested deferred awards; then clawback of paid or vested awards where the RiskFA Remuneration Policy provides for it. For SFIs, clawback must be available for senior managers, executive directors and highly paid material risk-takers for at least two years from payment or vesting, including after employment ends (CPS

511 para 36).

- The total downward adjustment must be proportionate to the severity of the risk and conduct outcome (CPS 511 para 38). Appendix A gives the normal adjustment range for each severity rating.
- Leaders and accountable persons are assessed on the outcomes in their areas, not only their own conduct. A collective adjustment may be applied to a team or the executive pool where a failure is shared.
- For accountable persons, a failure to comply with FAR s21 obligations requires a reduction of variable remuneration proportionate to the failure, which need not relate to the period of the failure and may be to zero (FAR s25(1)(b), s25(2)). The reduced amount must not be paid or transferred (s25(1)(c)).
- Remuneration decisions are made by the decision-makers set out in the RiskFA Remuneration Policy; this Framework provides the findings and the recommended adjustment.

14. Positive consequences and speaking up

Consequence management is not only about failures. [Organisation] recognises and rewards people who demonstrate the conduct and risk behaviours it wants.

- **Recognition.** Leaders recognise people who identify and report incidents, near misses and control weaknesses early, who challenge poor practices, and who put customers first. Examples are shared, with the person's consent, in [recognition program / internal communications] .
- **Performance and remuneration.** Strong risk and conduct behaviour is assessed and rewarded in the behaviour and risk component of the performance scorecard under the RiskFA Remuneration Policy.
- **Self-reporting.** A person who promptly reports their own genuine mistake is treated as a source of learning. Prompt self-reporting is a mitigating factor (section 12.1) and, for an inadvertent first error, may lower the severity rating (section 8).
- **No detriment.** No person may be disadvantaged, threatened or victimised for speaking up in good faith or cooperating with an investigation. Causing detriment to a person because of a belief or suspicion that they made, or could make, a disclosure qualifying for whistleblower protection is prohibited (*Corporations Act 2001* s1317AC). Retaliation is itself a conduct matter rated at least High (section 8).
- **Measuring speak-up culture.** The share of incidents and issues self-identified by the business, the number of speak-up reports and staff survey results are reported with consequence data (section 20).

15. Employment law considerations

Consequence decisions must comply with employment law, the employment contract and any applicable modern award or enterprise agreement. This section summarises key *Fair Work Act 2009* provisions as at October 2026. It is not legal advice: take advice from your employment lawyer before any dismissal or significant adverse action.

Topic	Key points (Fair Work Act 2009)
Who is protected from unfair dismissal	An employee who has completed the minimum employment period (6 months; 1 year for a small business employer) and is covered by a modern award or enterprise agreement, or earns less than the high income threshold (ss 382, 383).
What is an unfair dismissal	A dismissal that is harsh, unjust or unreasonable, not consistent with the Small Business Fair Dismissal Code and not a genuine redundancy (s385). A resignation forced by the employer's conduct can be a dismissal (s386(1)(b)).
What the Fair Work Commission considers	Whether there was a valid reason related to capacity or conduct; whether the person was notified of the reason; whether they had an opportunity to respond; any unreasonable refusal to allow a support person; for unsatisfactory performance, whether they were warned; the size of the business and its access to HR expertise; and any other relevant matter (s387). This Framework's investigation and decision steps are designed to meet these criteria.
Time limit	An unfair dismissal application must be made within 21 days after the dismissal takes effect, unless the Commission allows more time in exceptional circumstances (s394(2), (3)).
General protections: workplace rights	An employer must not take adverse action against a person because they have, or have exercised, a workplace right, including the ability to make a complaint or inquiry in relation to their employment (ss 340, 341).
General protections: discrimination	An employer must not take adverse action because of a protected attribute, including race, sex, age, disability, family or carer's responsibilities, pregnancy and others listed in s351. Temporary absence because of illness or injury is also protected (s352).
Reverse onus	If it is alleged that action was taken for a prohibited reason, it is presumed to have been, unless the employer proves otherwise (s361). Decision-makers must record the real reasons for their decisions.

Topic	Key points (Fair Work Act 2009)
General protections dismissal claims	An application to the Commission must be made within 21 days after the dismissal takes effect (ss 365, 366).
Notice of termination	Minimum notice or payment in lieu applies (s117), but not to an employee whose employment is terminated because of serious misconduct (s123(1)(b)). Serious misconduct is described in Fair Work Regulations 2009 reg 1.07.

- Check the employment contract, policies incorporated into it and any enterprise agreement for disciplinary procedures that must be followed.
- Variable remuneration adjustment, malus and clawback must be supported by the terms of the plan rules and offer letters. The RiskFA Remuneration Policy requires these terms to be included in every variable remuneration arrangement.
- Recovering amounts already paid (clawback) can raise legal issues about deductions from wages; obtain legal advice on the recovery method.

16. Accountable persons under FAR

Where **[Organisation]** is an accountable entity under the *Financial Accountability Regime Act 2023*, conduct matters involving accountable persons follow this Framework with the additional steps below.

- **The standard.** An accountable person must act with honesty and integrity, and with due skill, care and diligence; deal with APRA and ASIC in an open, constructive and cooperative way; and take reasonable steps in conducting their responsibilities to prevent matters that would (or would be likely to) adversely affect the entity's prudential standing or prudential reputation, or result in a material contravention of the relevant laws (FAR s21(1)). Reasonable steps include appropriate governance, control and risk management; safeguards against inappropriate delegation; procedures to identify and remediate problems; and appropriate action in response to non-compliance (s22).
- **Assessment.** Every High or Critical matter in an accountable person's area of responsibility is assessed for whether the accountable person took reasonable steps. The assessment is made by the **[Board Remuneration Committee]**, with input from the **[Board Risk Committee]**, the CRO and **[General Counsel]**, and is recorded.
- **Remuneration.** If the accountable person has failed to comply with s21, their variable remuneration must be reduced by an amount proportionate to the failure (s25(1)(b)). Where, at the end of the four-year minimum deferral period, the entity considers the person is likely to have failed to comply, the deferral period continues until the entity

determines whether they have failed (s28(4), table item 1).

- **Notification.** [Organisation] must notify the Regulator, through APRA Connect, within **30 days** after any of these events: an accountable person ceases to be an accountable person; is dismissed or suspended because they failed to comply with s21; has their variable remuneration reduced because they failed to comply with s21; [Organisation] has reasonable grounds to believe that it has failed to comply with its accountability obligations (s20) or key personnel obligations (s23), or that an accountable person has failed to comply with their s21 obligations; or a material change occurs to an accountable person's information on the FAR register (FAR ss 31(1), 31(6), 32). [General Counsel] tracks these dates from the day each event occurs.
- **Decision rights.** Decisions about accountable persons are made or approved by the Board or Board Remuneration Committee (section 11).

17. Regulatory and other notifications

A conduct matter can also trigger notification obligations other than FAR. These are assessed and made under the RiskFA Incident & Issues Management Standard (section 10), which applies to every possible breach regardless of rating. Examples include reportable situations to ASIC (including certain conduct of financial advisers or mortgage brokers), breaches of prudential requirements to APRA, eligible data breaches to the OAIC, and suspicious matters to AUSTRAC. The [Consequence Management Committee] confirms that each High or Critical matter has been referred to Compliance for this assessment.

18. Reference checking and information sharing

18.1 Financial advisers and mortgage brokers (mandatory)

AFS licensees and credit licensees must comply with the ASIC reference checking and information sharing protocol (*Corporations Act 2001* s912A(1)(cc); *National Consumer Credit Protection Act 2009* s47(1)(ea)). The current protocol is set out in *ASIC Corporations and Credit (Reference Checking and Information Sharing Protocol) Instrument 2024/647*, which commenced on 20 August 2024 and replaced Instrument 2021/429. ASIC's guidance is INFO 257. In summary (confirm against the instrument):

- a licensee considering employing or authorising a financial adviser or mortgage broker must take reasonable steps to obtain references from the person's current licensee and, depending on how long they have been with it, their most recent former licensee(s) in the past 5 years (and relevant mortgage intermediaries), after obtaining the person's consent on ASIC's template consent form;
- references cover the person's conduct for up to 5 years before the reference is given,

using ASIC's prescribed questions about compliance, conduct and risk management;

- a licensee asked for a reference must respond within 10 business days, unless both licensees agree a longer period of up to 30 business days;
- accurate and complete written records of consents, requests and references must be kept for 5 years; and
- a licensee that gives a reference in accordance with the protocol has qualified privilege for the information shared (Corporations Act s912A(3F)).

This means investigations of financial advisers and mortgage brokers must be completed, and findings recorded accurately, because they may later have to be disclosed in a reference.

18.2 Banks: ABA Conduct Background Check Protocol

ADIs that subscribe to the Australian Banking Association's *Banking Industry Conduct Background Check Protocol* must, for final-stage candidates and with their consent, ask former employers that are also subscribers whether, in the previous 5 years, the person was dismissed for misconduct, resigned after being notified of a misconduct investigation, or is subject to a notified investigation. Former employers must answer in writing within 5 business days unless otherwise agreed, and must keep their records accurate and up to date, including correcting them if a court or tribunal later finds there was no valid reason for a dismissal. The protocol is an industry commitment, not a law; check the current version and subscriber list on the ABA website.

18.3 All other roles

- Reference checks for other roles follow the [Recruitment Policy], with the candidate's consent.
- References given about former employees are factual, accurate, and approved by People and Culture. Managers must not give informal references about conduct matters.
- Settlement agreements, deeds and contracts must not prevent [Organisation] from meeting its reference checking, regulatory reporting or whistleblower obligations.

19. Record keeping and privacy

- Every conduct matter is recorded in the [case management system] using the case record in Appendix B. The register is the single source of truth for consistency analysis and reporting.
- Investigation files, findings, decisions and reasons are kept securely, with access limited to those who need it. Whistleblower information is kept separately under the RiskFA Whistleblower Policy.
- Records are kept for at least [7 years] after the matter is closed, and in any case for long enough to meet reference checking requirements (5 years under the ASIC protocol) and FAR, employment and limitation periods.
- The *Privacy Act 1988* exempts some acts and practices of an employer that are directly related to a current or former employment relationship and an employee record (s7B(3)). The exemption does not cover all information (for example information about contractors, candidates or other individuals in the file). Handle all personal information in line with the [Privacy Policy] and take advice before relying on the exemption.
- Where [General Counsel] directs that an investigation is conducted under legal professional privilege, records are created and stored as Legal directs.
- Warnings and records of minor matters are given a retention date for disciplinary purposes (for example [12–24 months]), after which they are not relied on for future consequence decisions, unless the conduct is repeated or the law requires otherwise.

20. Reporting, consistency analysis and oversight

People and Culture and second line report on consequence management to the executive [monthly] , and to the [Board Remuneration Committee] and [Board Risk Committee] at least [quarterly] . Reports cover at least:

- new, open and closed matters by severity rating, trigger category, business unit and seniority;
- substantiated matters and the consequences applied, including warnings, terminations and variable remuneration adjustments (in-period, malus and clawback) by amount;
- matters involving the CEO, senior managers, executive directors, accountable persons and material risk-takers;
- ageing, timeliness against targets, and matters where vesting is held pending investigation;
- FAR notifications and reference checks given and received;
- root cause themes, including incentives, supervision and culture, and the issues raised;

and

- speak-up measures and recognition (section 14).

20.1 Consistency analysis

At least [half-yearly], second line analyses outcomes to test whether consequences are consistent and fair:

- **Like-for-like comparison.** Matters with the same trigger category and severity rating are compared across business units, seniority bands and locations. Outcomes outside the normal range in Appendix A are listed with the reasons recorded.
- **Seniority test.** The rate and size of consequences for senior staff are compared with those for junior staff for similar conduct.
- **Diversity test.** Outcomes are analysed by gender and, where data is lawfully held, other attributes, to identify possible bias.
- **Remuneration test.** Variable remuneration adjustments are compared with the severity of matters, to check that adjustments are proportionate and were actually applied.
- **Precedent register.** De-identified decisions are kept as precedent and given to decision-makers before they decide.

Findings and actions are reported to the [Board Remuneration Committee]. The Board uses this reporting, among other things, to support the public disclosures CPS 511 requires about how consequence management is applied, the main triggers for downward adjustments and the adjustments made (CPS 511 paras 72–73 for SFIs; para 98(c) and (e) for non-SFIs).

Measure	Typical target
Matters rated Medium or above referred to People and Culture within [2 business days]	≥ [95%]
Investigations completed within the target time	≥ [85%]
High and Critical matters decided by the [Consequence Management Committee] or above	[100%]
Outcomes outside the Appendix A range with a recorded reason	[100%]
FAR notifications lodged within 30 days	[100%]

Measure	Typical target
Variable remuneration held for every person under investigation for CPS 511 criteria	[100%]
Share of incidents self-identified by the business	Trending up

These targets are common industry practice, not regulatory requirements, except where a law sets the deadline. Set your own in line with your risk appetite.

21. Training, assurance and review

- Decision-makers, investigators and people leaders are trained in this Framework, procedural fairness and unconscious bias before taking part in decisions, and refreshed every [2 years].
- All staff are told about this Framework, the [Code of Conduct] and speak-up channels at induction and [annually].
- Internal Audit reviews this Framework's design and operating effectiveness, including the consistency of outcomes and the link to remuneration, at least every [3 years].
- For SFIs, this Framework forms part of the remuneration framework that CPS 511 requires to be reviewed for compliance annually and independently reviewed for effectiveness at least every three years (CPS 511 paras 54–55).

22. Related documents

- the RiskFA Risk Management Framework, the RiskFA Risk Appetite Statement and [Incident & Issues Management Standard]
- [Code of Conduct], the RiskFA Remuneration Policy and [Performance Management Policy]
- the RiskFA Whistleblower Policy, [Fit and Proper Policy] and [FAR Accountability Policy]
- [Recruitment Policy], [Privacy Policy] and [Workplace Behaviour Policy]
- APRA: CPS 511 *Remuneration* and CPG 511 *Remuneration*; CPS 510 / SPS 510 *Governance*; CPS 520 / SPS 520 *Fit and Proper*
- FAR: *Financial Accountability Regime Act 2023*; APRA and ASIC, *Financial Accountability Regime: Information for accountable entities* (July 2024; ASIC RG 279)
- ASIC: INFO 257 *ASIC reference checking and information sharing protocol*; RG 78 *Breach reporting by AFS licensees and credit licensees*; RG 270 *Whistleblower policies*
- *Fair Work Act 2009* and Fair Work Regulations 2009; *Corporations Act 2001* Part 9.4AAA; *Privacy Act 1988*
- Australian Banking Association, *Banking Industry Conduct Background Check Protocol*

Appendix A. Consequence matrix

The matrix gives the **normal range** of consequences for each type of breach and severity rating. Decision-makers choose within the range using the aggravating and mitigating factors in section 12.1, and record a reason for any outcome outside it. Every substantiated matter also has root cause actions under the RiskFA Incident & Issues Management Standard. 'VR' means variable remuneration for the current performance year; adjustments to deferred or vested awards (malus or clawback) are additional where the matter meets the CPS 511 criteria.

Breach type	Low	Medium	High	Critical
Inadvertent error or minor policy breach	Counselling; training	Counselling; training; consider written warning if repeated	Written warning; rating impact; VR reduction [10–25%]	Final written warning; VR reduction [25–50%]

Breach type	Low	Medium	High	Critical
Failure to perform or evidence a control; acting outside delegation or limits	Counselling; training	Written warning; rating impact; VR reduction [up to 25%]	Final written warning; removal of delegation; VR reduction [25–75%]	Removal of delegation or role; VR reduction [50–100%]; consider termination
Late recording or escalation of an incident or breach	Counselling	Written warning; rating impact	Final written warning; VR reduction [25–50%]	Final written warning or termination; VR reduction [50–100%]
Deliberate under-rating, concealment or falsifying records (always at least High)	Not applicable	Not applicable	Final written warning or termination; VR to nil; malus	Termination; VR to nil; malus and clawback
Conduct causing unfair customer outcomes	Counselling; training; quality checks	Written warning; rating impact; VR reduction [up to 25%]	Final written warning; removal from customer role; VR reduction [50–100%]	Termination; VR to nil; malus and clawback
Breach of law or licence obligation (including privacy and AML/CTF)	Counselling; training	Written warning; rating impact; VR reduction [up to 25%]	Final written warning; VR reduction [50–100%]; regulatory referral	Termination; VR to nil; malus and clawback; regulatory referral
Dishonesty, fraud, theft or misuse of data (always at least High)	Not applicable	Not applicable	Termination (usually); VR to nil; malus	Summary dismissal; VR to nil; malus and clawback; police referral and loss recovery

Breach type	Low	Medium	High	Critical
Bullying, sexual harassment, discrimination (at least Medium)	Not applicable	Written warning; training; rating impact	Final written warning or termination; VR reduction [50–100%]	Termination; VR to nil; malus
Retaliation against a person who spoke up (always at least High)	Not applicable	Not applicable	Final written warning or termination; VR to nil	Termination; VR to nil; malus and clawback
Leadership or accountability failure (incl. FAR s21 for accountable persons)	Feedback; development plan	Rating impact; VR reduction [up to 25%]	Rating impact; VR reduction [25–75%]; collective adjustment	VR reduction [50–100%]; malus; removal from role; FAR notification
Repeated overdue actions or mandatory training	Counselling	Written warning; rating impact	Final written warning; VR reduction [up to 50%]	Not usually applicable

The percentage ranges are examples. Calibrate them to your remuneration structure, and make sure your plan rules and contracts allow the adjustments. CPS 511 does not prescribe percentages; it requires adjustments that are proportionate to the severity of the risk and conduct outcome, potentially to nil.

Appendix B. Case record template

Section	Content
1. Case details	Case ID; date identified; date referred; source (incident, whistleblower, complaint, audit, regulator, manager, self-report); linked incident or issue IDs.
2. Respondent	Name; role; business unit; manager; specified role category (senior manager, executive director, material risk-taker, risk and financial control personnel); accountable person (yes/no); financial adviser or mortgage broker (yes/no).
3. Allegations	Each allegation; the policy, law or obligation concerned; trigger category (section 7).
4. Interim measures	Measures taken and dates; variable remuneration hold (CPS 511 para 39 / 82) notified to Reward on [date].
5. Investigation	Investigator and independence check; terms of reference; evidence; interviews; date allegations put to respondent; response; extensions.
6. Findings	Each allegation substantiated / not substantiated / unable to be determined; reasons; contributing factors and root cause referrals.
7. Severity rating	Impact rating and category; culpability; rules applied; aggravating and mitigating factors; final rating; any downgrade approval.
8. Decision	Decision-maker; date; consequences; variable remuneration recommendation (in-period, malus, clawback, amount); comparison with Appendix A range and precedent; reasons for any outcome outside the range.
9. Communication and review	Date outcome given to respondent; review requested (yes/no) and outcome; feedback to the person who raised the matter.
10. Notifications	FAR event and date notified (within 30 days); referral to Compliance for other notifications; reference checking record updated.
11. Closure	Date closed; actions completed; record retention date; approver.

Appendix C. Procedural fairness checklist

- Investigator and decision-maker are different people, and neither has a conflict of interest.
- Allegations were given to the respondent in writing with enough detail to respond.
- The respondent saw the substance of the evidence relied on.
- The respondent had reasonable time to respond and was offered a support person.
- The response was considered and any new lines of enquiry were followed up.
- Findings were made on the evidence, with reasons recorded for each allegation.
- The consequence was checked against Appendix A and precedent, and reasons recorded.
- The real reasons for the decision were recorded, and no protected attribute or workplace right formed part of them.
- Legal advice was obtained before any dismissal, demotion or clawback.
- Variable remuneration was held during the investigation where CPS 511 requires it, and the outcome was sent to Reward.
- Regulatory notifications (FAR, ASIC, APRA) and reference checking records were assessed and completed on time.



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