



BASEL III PILLAR 3

ANNUAL REMUNERATION
DISCLOSURES AS AT 30 JUNE 2015

CommonwealthBank



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Basel III Pillar 3 – Remuneration Disclosures

Annual remuneration disclosures as at 30 June 2015

The following remuneration disclosures have been prepared in accordance with the Australian Prudential Regulation Authority's (APRA's) remuneration requirements under prudential standard APS 330 Public Disclosure (APS 330) and Board approved policy. The prudential disclosures require that all Authorised Deposit-taking Institutions (ADIs) meet the minimum requirements for public disclosure of qualitative and quantitative information of their remuneration practices.

The prudential disclosures are separate to the existing Remuneration Report requirements applicable to all listed companies under the Corporations Act 2001, which only cover Key Management Personnel (KMP).

The qualitative remuneration disclosures are broader in scope and cover all individuals included in the Remuneration Policy, as outlined in CPS 510 (Governance). The quantitative information relates to senior managers and material risk takers of the Commonwealth Bank of Australia (CBA) Group, for the financial year ended 30 June 2015 (see section 5).

In the 2015 financial year, the following employees have been identified as senior managers and material risk takers (as defined in paragraph 21 of APS 330):

Role	Number of Individuals 2015 ⁽¹⁾	Description
Senior Managers ⁽²⁾	71	All Responsible Persons included in the Group's Fit and Proper Policy and those employees defined under the Hong Kong Monetary Authority (HKMA) Supervisory Policy Manual CG-5. This includes: <ul style="list-style-type: none">The Chief Executive Officer (CEO), all Group Executives, Group Treasurer, Executive General Manager Group Audit and CEO of Colonial First State Global Asset Management (18 individuals);Responsible Persons of all our regulated subsidiaries, who are also listed in our Group Fit and Proper Policy (42 individuals); andKey Management Personnel and Senior Managers who have been identified as holding a manager role for Hong Kong banking licence purposes under HKMA regulations and in accordance with Hong Kong Banking Ordinance 72B (11 individuals).
Material Risk Takers ⁽³⁾	24	All roles (not captured in the 'Senior Manager' definition above) for whom a significant portion of total remuneration is based on performance and whose activities, individually or collectively, may affect the financial soundness of the Group. For CBA this includes: Senior executives whose activities have a significant impact on the Group's balance sheet and/or the long-term financial performance of the Group (including Bankwest).

(1) This is based on the individual's role as at 30 June 2015, or last role prior to 30 June 2015 that is subject to disclosure.

(2) There were 68 Senior Managers for the 2014 financial year.

(3) There were 20 Material Risk Takers for the 2014 financial year.

1. Remuneration Governance

1.1. Remuneration Committee

The Remuneration Committee (Committee) of the CBA Board (Board) is responsible for developing the Group's remuneration philosophy, framework and policies for approval by the Board. The Committee meets at least four times per year. As at 30 June 2015, the Committee is made up of independent Non-Executive Directors and consists of the following members: Jane Hemstritch (Chairman), David Higgins, Launa Inman, Andrew Mohl, Wendy Stops and David Turner.

In summary, the Committee is responsible for recommending to the Board for approval:

- remuneration arrangements and all reward outcomes for the CEO, senior direct reports to the CEO and other individuals whose roles may affect the financial soundness of the Group;
- remuneration arrangements for finance, risk and internal control employees;
- remuneration arrangements for employees who have a significant portion of their total remuneration based on performance; and
- significant changes in remuneration policy and structure, including superannuation, employee equity plans and benefits.

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The Committee's key responsibilities are set out in its Charter which is reviewed by the Board each year. The Charter is available on the Group's website at <https://www.commbank.com.au/about-us/shareholders/corporate-profile/corporate-governance.html>.

The Committee met seven times during the 2015 financial year. The current fee for the Committee Chairman is \$60,000 per annum and the current fee for Committee members is \$30,000 per annum. Fees are inclusive of base fees and superannuation. The CBA Board Chairman (David Turner) does not receive separate Committee member fees.

The Committee obtains executive remuneration information directly from its external independent remuneration consultant EY. Throughout 2015, the main information received from the Committee's remuneration consultant related to:

- regulatory reforms;
- current market practices; and
- information to support the Committee's review of existing remuneration arrangements of the CEO and Group Executives.

EY provides information to assist the Committee in making remuneration decisions. EY has not made any remuneration decisions or recommendations during the 2015 financial year. The Committee is solely responsible for making decisions within the terms of its Charter.

1.2. Group Remuneration Policy

The Group Remuneration Policy is reviewed by the Committee and approved by the CBA Board annually. The Group Remuneration Policy sets out the:

- remuneration philosophy of the CBA Group;
- remuneration principles that underpin the Group's philosophy;
- remuneration framework that delivers on the Group's remuneration philosophy; and
- remuneration policies used to manage remuneration within the Group's remuneration and risk management framework.

The Board has determined that the key objectives of the Group's Remuneration Policy are to:

- meet high standards of governance and all applicable regulatory requirements and guidelines;
- align with the Group's strategy;
- be mindful of the interests of the Group's stakeholders including shareholders, employees, customers and the community;
- be communicated to relevant stakeholders in a way that is clear and easy to understand; and
- encourage behaviour that supports the long-term financial soundness and risk management framework of the Group.

The Group Remuneration Policy applies to all controlled entities of the Group, with exceptions for some offshore entities where separate remuneration policies are required by local regulation. This includes all executives and employees on individual contracts; all employees covered by collective agreements; and all executive and Non-Executive Directors on the CBA Board and the board of any majority owned Group subsidiaries (including offshore entities).

The annual review of the Group Remuneration Policy includes an assessment of:

- the application and effectiveness of the Group Remuneration Policy;
- the impact of any legislative or regulatory changes impacting remuneration; and
- the relevance of the Group Remuneration Policy in changing market conditions.

The Committee conducted the annual review of the Group Remuneration Policy in December 2014, with only minor amendments made to the Group Remuneration Policy. A subsequent review was conducted in June 2015 to incorporate minor updates.

1.3. Independence Risk and Financial Control Personnel

The majority of risk and financial control personnel (as defined in paragraph 59(b) of CPS 510) are employed in centralised functions across the Group.

Remuneration outcomes are based on the performance of the Group and individual performance against Key Performance Indicators (KPIs). The KPIs must not:

- compromise the independence of the individuals in these roles in carrying out their function; and
- be linked to the financial performance of the business unit they oversee.

Non-financial KPIs may be linked to individual, team or business unit performance provided they are not related to areas where the employee performs a control function.

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2. Remuneration Framework

The structure of remuneration arrangements for all employees consists of the following components:

- Fixed Remuneration; and
- Short-Term Incentive (STI) at Risk.

The CEO and Group Executives also have a Long-Term Incentive (LTI) at risk component.

The at risk components are based on performance against key financial and non-financial measures. More detail on remuneration and the link to performance is included in section 4 below.

2.1. Fixed Remuneration

- Fixed remuneration is made up of base remuneration and superannuation. Base remuneration includes cash salary and any salary sacrifice items;
- The Board determines an appropriate level of fixed remuneration for the CEO and Group Executives, with recommendations from the Committee; and
- Fixed remuneration is reviewed annually, following the end of the 30 June performance year.

2.2. Variable Remuneration

Employees are eligible to participate in variable remuneration arrangements applicable to their position. Variable remuneration consists of STI awards for most of our employees. STI awards are discretionary and recognise annual performance over the financial year. Performance is measured and reviewed against set goals, which include financial and non-financial metrics.

The current variable remuneration instruments include:

- Cash (deferred and non-deferred);
- Restricted Shares/Rights (deferred);
- Restricted Performance Units (deferred); and
- Reward Rights (deferred).

As noted above, cash is the only instrument which can be payable upfront and not deferred. Some of the Group's arrangements (as noted in section 2.3) allow for variable remuneration to be deferred as cash over an appropriate deferral period.

All other instruments are in the form of deferred remuneration which vest over an appropriate deferral period. Deferred remuneration applies to senior roles in the Group, as their activities and accountabilities are more closely aligned to the longer term performance of the business.

For the CEO and Group Executives, in addition to deferring a portion of their STI as cash, they also receive LTI awards in the form of Reward Rights which vest after a four year period, subject to relevant performance hurdles, risk review and final Board approval.

2.3. STI Deferral and Vesting

The table below provides a summary of the main deferral arrangements applicable to different roles across the Group. More senior roles (that have the potential to receive higher variable remuneration) have a greater portion of their variable remuneration deferred.

Role	Deferral Arrangement
CEO and Group Executives	<ul style="list-style-type: none"> ▪ 50% of STI award is deferred as cash for 12 months (plus interest accrued). ▪ LTI awards are deferred over a four year period and subject to set performance hurdles.
Executive General Managers and General Managers	<ul style="list-style-type: none"> ▪ One third of total STI award is deferred into CBA equity - i.e. rights or performance units (for executives outside of Australia)⁽¹⁾ which vests after three years⁽²⁾. ▪ There are certain executives who also participate in cash settled award style arrangements that are specific to Colonial First State Global Asset Management (CFS GAM). These awards are deferred for up to three years and are aligned with either the business performance or the performance of the publicly available investment funds being managed by the relevant team.
All other employees ⁽³⁾	<ul style="list-style-type: none"> ▪ All employees with an STI award of \$200,000 or greater must have cash deferral of one-third of their STI award over two years. Deferred awards vest in two equal tranches, 50% vests in one year and the remaining 50% in two years from deferral period start date (including interest accrued).

(1) For offshore jurisdictions with restrictions on equity-based awards the deferral instrument is cash.

(2) From 1 July 2015 Executive General Managers and General Managers will have one third of their total STI award deferred into CBA equity that vests in three equal tranches over three years.

(3) From 1 July 2015 all other employees with an STI award greater than \$150,000 will have one third of their total STI award deferred into CBA equity that vests in three equal tranches over three years.

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Vesting of all deferred cash and equity based awards is generally contingent upon:

- the employee remaining employed by the Group throughout the vesting period. Generally when an employee leaves due to ill-health retirement, redundancy, death and retirement from the workforce, all unvested deferred STI awards stay on foot and vest at the normal time subject to the remaining vesting conditions. LTI awards may continue after cessation of employment and remain subject to the LTI performance hurdles, unless the Board determines that the grant vests or lapses on cessation;
- in the case of LTI awards, the LTI performance hurdles being met;
- actual realisation of original expected performance outcomes;
- a review of any risk and compliance issues associated with any individual (see section 3 below); and
- at vesting, the release of the deferred incentive amount not placing undue financial hardship on the Group.

Deferred awards into CBA rights and performance units are governed by the relevant plan rules, which are subject to Board approval. If an individual resigns or is dismissed from the Group before the end of the vesting period, deferred STI awards will generally be forfeited.

The Group's deferral policy assists in managing risk of losing key talent, and allows the Board to reduce or cancel the deferred components of remuneration where business outcomes are materially lower than expected.

3. Remuneration and Risk Management

The Committee has a robust framework for the systematic review of risk and compliance issues impacting remuneration. The Committee:

- takes note of any material risk issues impacting remuneration, with issues raised by the Committee provided to the Board's Risk Committee for noting;
- considers issues and recommendations raised by the Risk and Remuneration Review Committee, a management committee that monitors material risk and compliance issues throughout the year;
- may impose adjustments to remuneration outcomes of employees before or after awards are made, subject to Board approval; and
- works closely with the Board's Risk Committee to ensure that any risks associated with remuneration arrangements are managed within the Group's risk management framework.

Risk is a key factor in assessing short-term performance. Firstly, we use Profit After Capital Charge (PACC), a risk-adjusted measure, as one of our primary measures of financial performance. It takes into account not just the profit achieved, but also considers the risk to capital that was taken to achieve it. Secondly, employees are required to comply with the relevant Group or Business Unit Risk Appetite Statement. STI awards are adjusted downwards where material risk issues occur. Thirdly, risk is also managed through the compulsory deferral of STI and LTI awards (see section 2.3).

Under the Group's Remuneration Policy, the Board has discretion to make adjustments to deferred remuneration in various circumstances. Adjustments can include partial reductions or complete forfeiture of deferred awards.

Our remuneration frameworks and policies are underpinned by the Group's risk management framework, as outlined in the Group's Risk Appetite Statement. The Group's Risk Appetite Statement contains details on the risk appetite concept and its three major components: risk culture, risk appetite boundaries and appetite for specific risk types. All Group employees are required to adhere to the Group Risk Appetite Statement, as well as to their Business Unit's Risk Appetite Statement.

All our remuneration practices are carefully managed within our risk appetite. The Group takes into account the following key risks when managing and determining remuneration arrangements:

- Financial Risks;
- Operational Risks; and
- Compliance Risks.

In 2015, the risk management framework was amended to incorporate a standalone Group-wide risk modifier into the performance assessment of every employee.

4. Linking Performance and Remuneration

Our remuneration practices are directly linked to both short-term and long-term performance goals of the Group. Key financial and non-financial performance measures are used to appropriately reward key talent for achieving goals that are aligned to the Group's business strategy.

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4.1. Short-term performance

The key performance areas and metrics include:

Performance Area	Objective	Metric
Customer Focus	Continue to build a vibrant customer focused culture.	Measuring customer satisfaction results using external survey providers ⁽¹⁾ across our core businesses, including retail, business and institutional banking and wealth management.
Strength	Maintain a strong and flexible Balance Sheet.	Group and business financial performance including Cash Net Profit After Tax (Cash NPAT) and Profit After Capital Charge (PACC).
Productivity	Group-wide commitment to continually improving and streamlining processes with a focus on simplicity and an enhanced experience for the Group's customers and employees.	Drive productivity through integrated plans, sponsorship and sustainable financial benefits.
Technology	Technology programs designed to enhance the customer experience through more innovative systems and processes, and improve efficiency levels.	New and innovative technology services to our customers both in Australia as well as overseas.
People	Continue to build an effective workforce, aligned to business need, performing at its best.	Performance assessment against the following core areas: <ul style="list-style-type: none"> ▪ Talent Management ▪ Safety ▪ Diversity ▪ Engagement ▪ Culture

(1) Customer satisfaction is measured by three separate surveys. For the Retail Bank, it is measured by Roy Morgan Research. Roy Morgan Research MFI Retail Customer Satisfaction measures the percentage of the Australian population 14+, % "Very Satisfied" or "Fairly Satisfied" with their relationship with that MFI, based on a 6 month rolling average to June 2015. CBA excludes Bankwest. Rank refers to CBA's position relative to NAB, ANZ and Westpac. For Business Banking and Institutional Banking, MFI customer satisfaction is measured by DBM Business Financial Services Monitor which takes the average satisfaction rating of business customers' MFI, using an 11 point scale where 0 is Extremely Dissatisfied and 10 is Extremely Satisfied based on a 6 month rolling average to June 2015. Institutional Banking includes businesses with turnover of \$100 million and above. For Wealth Management, customer satisfaction is measured by the Wealth Insights 2015 Service Level Report, Platforms. This survey measures satisfaction with the service of master trusts/wraps in Australia, by financial advisers. It includes Colonial First State's FirstChoice and FirstWrap platforms.

All employees have a balanced scorecard to assess both short-term Group and individual performance against specific KPIs.

Individual KPIs may include all or some of the Group performance metrics listed above. Any discretionary STI award is linked to both the Group and individual performance outcomes.

Financial objectives have a substantial weighting, and non-financial objectives vary by role. For example, Group Executives managing business units typically have a 45% weighting on financial outcomes and Group Executives managing support functions typically have a weighting of 25% on financial outcomes.

Risk measures are used as a gate opener for any performance based remuneration. Remuneration outcomes are assessed against individual performance (against KPIs set at the beginning of the performance year) and Business and/or Group Risk Appetite Statements. All incentive awards are reviewed and may be reduced or adjusted to zero in the event of any risk management issues.

4.2. Long-term performance

The CEO and Group Executives (who form part of the Senior Manager group) are eligible to receive LTI awards in the form of Reward Rights. The current LTI plan is the Group Leadership Reward Plan. All LTI awards are split and tested against:

- Total Shareholder Return (75% weighting of total award); and
- Customer Satisfaction (25% weighting of total award)

These performance hurdles assess the longer term performance of the Group and are aligned to our key business priorities of customer focus and shareholder interests.

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5. Senior Manager and Material Risk Takers' Quantitative Remuneration for the year ended 30 June 2015

The following tables have been prepared in accordance with the quantitative requirements outlined in APS 330 and are in Australian Dollar (AUD). Table (a) provides a breakdown of the value of fixed and variable remuneration for senior managers and material risk takers for the year ended 30 June 2015. Table (b) provides a summary of deferred cash and equity-based remuneration, which outlines the total amount of outstanding awards, the awards that have vested during the 2015 financial year, and any reductions due to ex post explicit and implicit adjustments.

(a) Total Value of Remuneration Awards

	Senior Managers ⁽¹⁾ (\$'000)		Material Risk Takers ⁽¹⁾ (\$'000)	
	2015	2014	2015	2014
Fixed Remuneration				
Cash-based (non-deferred) ⁽²⁾	27,894	30,813	10,114	9,917
Other (non-deferred) ⁽³⁾⁽⁴⁾	4,871	3,689	2,533	1,234
Variable Remuneration				
Cash-based (non-deferred) ⁽⁵⁾	19,339	18,730	9,308	9,245
Cash-based (deferred) ⁽⁴⁾	11,792	12,989	300	657
Shares and share-linked instruments (deferred) ⁽⁴⁾⁽⁶⁾	14,003	14,948	3,618	3,655
Other ⁽⁴⁾⁽⁷⁾	247	246	-	-

(1) Most Senior Managers and Material Risk Takers received a variable remuneration award during the 2015 financial year (total of 86 individuals). No guaranteed bonuses were made during the 2015 financial year to Senior Managers or Material Risk Takers. Two sign-on awards were made to Senior Managers and Material Risk Takers who joined the Group during the 2015 financial year. Total 2015 expense of this award is \$376,000; the total expense in 2014 was \$688,694. Ten Senior Managers and Material Risk Takers exited the Group during the 2015 financial year. Most exits were resignations and accordingly termination payments/awards were as per contractual arrangements. A total of \$543,498 termination payments/awards were made to four Senior Managers and Material Risk Takers in the 2015 financial year (in the 2014 financial year termination payments were \$0). There were no termination payments made to Senior Managers under the HKMA Supervisory Policy Manual CG-5.

(2) This includes base remuneration and superannuation contributions.

(3) This includes annual leave and long service leave accruals and car parking costs (including associated fringe benefits tax).

(4) Comparative information has been reclassified to conform with presentation in the current year.

(5) This value represents the cash portion of the STI awards made in relation to performance over the 2015 financial year. For the CEO and Group Executives this represents 50% of their total 2015 STI award. For most other Senior Managers and Material Risk Takers this represents two thirds of their total 2015 STI award.

(6) For all deferred equity awards, this includes the 2015 accounting expense of previous deferred STI awards, LTI awards and amounts relating to equity sign-on and other equity-based arrangements. For deferred STI awards, this includes the 2015 expense for deferred STI awards granted during the 2013, 2014 and 2015 financial years. For LTI awards, this includes the 2015 expense for Reward Rights awarded during the 2012, 2013, 2014 and 2015 financial years under the GLRP.

(7) This includes interest accrued in relation to the 2014 CEO and Group Executive deferred STI award.

(b) Deferred Remuneration

	Senior Managers (\$'000)		Material Risk Takers (\$'000)	
	2015	2014	2015	2014
Outstanding Remuneration				
Cash-based awards ⁽¹⁾	17,771	18,382	97	773
Shares and share-linked instruments ⁽¹⁾⁽²⁾	73,049	70,042	16,602	16,534
Total Outstanding Remuneration (deferred) ⁽¹⁾⁽²⁾	90,820	88,424	16,699	17,307
Total amount of deferred remuneration vested during the financial year ⁽¹⁾⁽³⁾	40,941	39,534	7,582	5,341
Total amount of reductions during the financial year due to explicit adjustments ⁽⁴⁾	(8,583)	(9,656)	-	(854)
Total amount of reductions during the financial year due to implicit adjustments ⁽⁴⁾	-	-	-	-

(1) Comparative information has been reclassified to conform with presentation in the current year.

(2) All deferred remuneration is exposed to ex post explicit and/or implicit adjustments. This includes the sum of all outstanding deferred cash and equity awards as at 30 June 2015. For all equity-based deferred STI awards this includes the total face value (calculated using the closing share price on 30 June 2015). Given that vesting of LTI awards is subject to performance conditions, fair value has been used to determine the value of outstanding LTI awards.

(3) The value of deferred cash and equity awards that vested during 2015 financial year. This includes the value of the awards that vested, plus any interest and/or dividends accrued during the vesting period. The value of the vested award is calculated using the Volume Weighted Average Closing Price (VWACP) for the five trading days up to and including the transaction date.

(4) This includes any reductions to awards which vested during 2015 financial year. Explicit adjustments include all reductions due to revaluation of awards, downward adjustments to awards and award forfeitures. Implicit adjustments include any change in the value of realised awards due to downward movement in CBA share price from grant date to vesting date. The value of the lapsed award is calculated using the VWACP for the five trading days preceding the transaction date.

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6. Glossary of Key Terms

To assist readers, key terms and abbreviations used in this report as they apply to the Group are set out below.

Term	Definition
Base Remuneration	Cash and non-cash remuneration, including any salary sacrifice items, paid regularly with no performance conditions.
Board	The Board of Directors of the Group.
Fixed Remuneration	Consists of Base Remuneration plus employer contributions to superannuation.
Group	Commonwealth Bank of Australia and its subsidiaries.
Group Executive	Key Management Personnel who are also members of the Group's Executive Committee.
Group Leadership Reward Plan (GLRP)	The Group's long-term incentive plan for the CEO and Group Executives.
Key Management Personnel (KMP)	Persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity. For APS 330, this includes the CEO and all Group Executives (non-executive directors are not subject to the prudential disclosures).
Key Performance Indicators (KPIs)	Quantitative and qualitative measures, agreed at the start of the performance year, to drive performance outcomes at the Group, Business Unit, team and individual level.
Long-Term Incentive (LTI)	A remuneration arrangement which grants benefits to participating executives that may vest over a period of three or more years if, and to the extent that, performance hurdles are met. The Group's long-term incentive plan is the GLRP.
NPAT	Net profit after tax.
PACC	Profit after capital charge.
Reward Rights	Rights to ordinary shares in CBA granted under the GLRP and subject to performance hurdles.
Salary Sacrifice	An arrangement where an employee agrees to forgo part of his or her cash component of Base Remuneration in return for non-cash benefits of a similar value.
Short-Term Incentive (STI)	Remuneration paid with direct reference to the Group's and the individual's performance over one financial year.
Total Shareholder Return (TSR)	TSR measures a company's share price movement, dividend yield and any return of capital over a specific period.
Variable Remuneration	Performance-based remuneration, which includes short-term incentives that reward performance over the financial year, and long-term incentives that reward performance over a longer term.
