

**2018 Annual
General Meeting**

Notice of Meeting



CommonwealthBank



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How to Get There

The 2018 Annual General Meeting of the Commonwealth Bank of Australia will be held on **Wednesday, 7 November 2018** commencing at 9.30am (Brisbane time) in the **Plaza Ballroom** at the **Brisbane Convention & Exhibition Centre (BCEC)**, on the corner of Merivale and Glenelg Streets, South Brisbane, Queensland. Enter the building via **Grey Street** and take the elevator or escalators up to the **Plaza Level**. A map and directions are set out below. Timetables and further transport information are available at www.brisbane.qld.gov.au/public-transport and www.bcec.com.au/visit.



By Train

South Brisbane Railway Station adjacent to BCEC on Grey Street or South Bank Railway Station are the most convenient stations to the BCEC.



By Bus

The Cultural Centre Bus Station on Melbourne Street and the South Bank Busway Station on the corner of Colchester and Tribune Streets are closest to the BCEC.



By CityCat & Ferry

The CityCat and ferries stop at the South Bank River Terminal on the Clem Jones Promenade. The inner-city ferry travels between the Brisbane CBD, North Quay and Kangaroo Point, stopping at South Bank Terminals 1 and 2 on the Clem Jones Promenade.



By Car

The BCEC offers under cover parking. Car Parks 1 and 2 are best for the Plaza Ballroom. Walk towards the car park exits and along Russell Walk towards Grey Street. Enter the building via the Grey Street entrance and take the elevator or escalators up to the Plaza Level.



By Taxi

Taxi ranks are located outside the BCEC main entrance on Merivale Street and a taxi drop off is located at the BCEC Grey Street entrance.



On Foot

The BCEC is a 15 minute walk across the Victoria Bridge, from the Brisbane CBD.

Arrive early to allow time for registration and security checks

Chairman's Letter



Dear Shareholder

I am pleased to invite you to attend the 2018 Annual General Meeting (**AGM**) of the Commonwealth Bank of Australia (**CBA** or the **Bank**). The AGM will be held in the Plaza Ballroom at the Brisbane Convention & Exhibition Centre on Wednesday, 7 November 2018 at 9.30am (Brisbane time).

The 2018 financial year was a particularly challenging one. We had to address several significant regulatory matters. These included responding to the findings of a Prudential Inquiry by the Australian Prudential Regulation Authority (**APRA**) and the settlement of proceedings by the Australian Transaction Reports and Analysis Centre (**AUSTRAC**). At the same time, the Banking Royal Commission (**RC**) has heard examples of customers being dissatisfied with the financial services industry, including instances in which we at CBA have disappointed our own customers.

In response to these issues, the Board and management have taken action to earn back customer, community and shareholder trust. Our approach to this renewal is based on acknowledging, and apologising for issues, taking responsibility, ensuring that we take the necessary action to become a simpler, better bank, and on being transparent as to our progress.

As part of this renewal, a key focus of the Board and management is on delivering our APRA-endorsed Remedial Action Plan to ensure that our governance, culture and accountability frameworks and practices are significantly improved and meet the high standards expected of us. Further details can be found on pages 8 and 9 of this document.

Appointment of Chief Executive

In April, the Board appointed Matt Comyn to the role of Chief Executive Officer. Matt is an exceptional executive and the Board is confident that he, in conjunction with his very capable leadership team, has the appropriate mix of skills and experience needed to lead the Bank. Details of our executive team members can be found on pages 84 and 85 of our 2018 Annual Report.

Dividend

In August, CBA reported a net profit after tax of \$9,375 million on a statutory basis, and \$9,233 million on a cash basis, for the 2018 financial year. The Board has determined that a final dividend of \$2.31 per share be payable to shareholders, taking the full year dividend to \$4.31 per share, fully franked, up 2 cents on last year. The final dividend is payable on 28 September 2018.

Strategy

Our strategy seeks to create a simpler, better bank to deliver balanced and sustainable outcomes for our stakeholders: customers; community; employees; and shareholders.

In doing so, we will simplify our portfolio and focus on our core Australian and New Zealand banking business. In parallel, we will accelerate our digital agenda to deliver better customer outcomes.

“Our strategy seeks to create a simpler, better bank to deliver balanced and sustainable outcomes for our stakeholders: customers; community; employees; and shareholders”

Portfolio simplification is already underway. We have announced a proposed demerger of our wealth management and mortgage broking businesses, and are currently in the process of selling our life insurance businesses. The sale of our New Zealand life insurance business completed in July and we expect the sale of our Australian life insurance business to complete later this year. We continue to review our general insurance business. We have also decided to exit from our South African business. This is in addition to the already announced reviews of businesses within our International Financial Services portfolio.

Climate Change

Over the 2018 financial year, we have continued to play our part to support the responsible global transition to net zero emissions by 2050.

We led the issuance of more than \$2 billion of green and sustainability notes for clients across the globe, and helped Australian businesses improve their energy efficiencies through our partnership with the Clean Energy Finance Corporation. Our lending to renewable energy projects increased by almost \$1 billion over 12 months, totalling \$3.7 billion at the end of June 2018. Our analysis also demonstrates a continued downward trend in our exposure to the coal sector, across mining, infrastructure and electricity generation. Moreover, we reduced our Australian based direct emissions by 12%, thereby achieving reductions of 52.5% since 2009. Almost 50 of our bank branches and offices now have solar panels installed, with a total capacity of 750 kilowatts.

Full details of our approach to climate risks and opportunities, including our progress, now reported in line with the Task Force on Climate-related Financial Disclosures recommendations, can be found on pages 48 to 60 of the 2018 Annual Report.

Remuneration

Over the past two years, we have sought to refine our remuneration framework, to support regulatory requirements, respond to stakeholder feedback and ensure that we attract and retain the highest quality global talent. We have also implemented the variable remuneration requirements under the Banking Executive Accountability Regime (**BEAR**) which came into effect on 1 July 2018.

In 2018, the Board determined that there should be individual and collective accountability on the part of both current and former executives for the APRA Prudential Inquiry findings, and the poor risk and customer outcomes that have occurred. Accordingly, remuneration outcomes for current and former executives have been reduced, through a combination of reductions to variable remuneration awards and the lapsing of unvested awards in part or full for some individuals. These consequences also include actions taken by the Board in

August 2017 to reduce Non-Executive Director fees, and short-term variable remuneration, for the 2017 financial year, for the then Chief Executive Officer and all Group Executives to zero.

The impact of these measures was a reduction exceeding \$100 million in remuneration outcomes for employees and Directors.

Board Renewal

The Bank has continued its ongoing process of Board renewal. As previously announced, Anne Templeman-Jones joined the Board in March and will stand for election at this AGM. I will also stand for re-election in accordance with the Company's Constitution.

Andrew Mohl will retire from the Board at the conclusion of the AGM and Paul O'Malley will join the Board from 1 January 2019. To allow for sufficient continuity in director succession, Brian Long has agreed to remain on the Board until the end of the calendar year, and will retire on 31 December 2018. I would like to thank Andrew and Brian and acknowledge their valuable contribution and service to the Board and the Bank over a number of years.

Items of Business

The Notice of Meeting for the AGM commences on page 12 of this document, and outlines the items of business we will consider. Background information on these items is contained in the Explanatory Memorandum on pages 14 to 19, which forms part of the Notice of Meeting.

The Notice of Meeting contains resolutions for:

- my re-election and the election of Anne Templeman-Jones;
- the adoption of the 2018 Remuneration Report; and
- the grant of securities to Matt Comyn.

How to Vote

A Voting/Proxy Form (**Form**) accompanies this document. You can use the Form to register your attendance at the AGM, lodge your vote directly or appoint a proxy to vote on your behalf.

A question form also accompanies this document in the event you would like to submit questions in advance of the AGM, on any shareholder matters that may be relevant to the AGM. While time may not permit me to address all questions submitted, I will endeavour to address the more frequently raised shareholder matters during the AGM.

If you are unable to attend the AGM, you can watch a live webcast online at www.commbank.com.au/agm.

The Board and senior executives warmly invite you to join them for refreshments at the conclusion of the AGM.

Yours sincerely



Catherine Livingstone AO
Chairman

2018 Highlights



Customers

Customers served

16.1 million

Digital customers

6.5 million

Largest branch and ATM network
in Australia

1,267 branches Group total

4,253 ATMs Group total

Mobile banking app Net Promoter Score

37.8

More than 10 points above closest major bank peer



Community

Tax paid

\$4.0 billion

One of Australia's largest taxpayers

Community investment

\$290 million

Including 21,900 volunteering and pro bono hours

CommBank Foundation

1,240+ grants

For youth, education and health organisations

Financial education

568,000+ students

Participating in Start Smart sessions



Employees

Number of employees

49,125

Employed in 15 countries, 40,508 in Australia

Women in Manager roles and above

44.6%

37.6% women in Executive Manager roles and above

Total hours of training

1,847,000+

34.1 hours of training per employee on average

Employees working flexibly

73.7%

20% work part-time or job share



Shareholders

Net profit after tax

\$9,233 million cash basis

\$9,375 million statutory basis

Continuing operations

Dividend per share

\$4.31

Full year, fully franked, cash basis

% of cash net profits returned to shareholders

80.4%

\$7.6 billion in total, 79% of shareholders are Australian

Amount received by the average retail shareholder in dividends

\$3,853

Average retail shareholding of 894 shares

Becoming a Better Bank

We have been involved in a number of regulatory, legal and industry reviews this year. We have been committed to participating fully and openly, and to providing transparency on the processes and outcomes. For further information please refer to our Annual Report at www.commbank.com.au/annual-reports.

APRA Prudential Inquiry

On 28 August 2017, the Australian Prudential Regulation Authority (**APRA**) announced an independent prudential inquiry into the Bank.

On 1 May 2018, APRA released the inquiry's final report. It laid out shortcomings in governance, culture and accountability at the Bank.

We have entered into an Enforceable Undertaking (**EU**) with APRA. APRA also applied a capital adjustment to our minimum capital requirement by applying an add-on of \$1 billion to our operational risk capital requirement.

The Bank's Response

The final report is constructive and fair and we are committed to implementing all of its 35 recommendations.

We have undertaken only to apply for removal of all or part of the capital adjustment when we believe we can demonstrate compliance, to APRA's satisfaction, with the specific undertakings within the EU and the commitments set out in our Remedial Action Plan (**Plan**).

The Plan contains clear and measurable responses to each of the recommendations, supported by a timeline and executive accountabilities. It has been endorsed by APRA. Promontory Australasia (Sydney) will act as independent reviewer and provide quarterly progress updates to APRA.

In addition, we have advised APRA of the impact on remuneration outcomes for current and former executives resulting from the Prudential Inquiry.

AUSTRAC Proceedings

On 4 June 2018, we announced we had entered into an agreement with the Australian Transaction Reports and Analysis Centre (**AUSTRAC**) to resolve the civil proceedings commenced on 3 August 2017. AUSTRAC's claim alleged past and ongoing contraventions of Australian anti-money laundering and counter-terrorism financing (**AML/CTF**) legislation.

As part of the agreement we have incurred a civil penalty of \$700 million, together with AUSTRAC's legal costs. The agreement with AUSTRAC has been approved by the Federal Court.

The Bank's Response

We are committed to building on the significant changes made in recent years as part of a comprehensive program to improve operational risk management and compliance at the Bank.

We continue to make significant investment in AML/CTF compliance, including upgrading and enhancing our AML/CTF technology, updating our process documentation, investing in further resourcing, and strengthening employee training.

We are uplifting processes for monitoring, managing, reporting and controlling financial crime (including AML/CTF) across all of our operations, including the way we engage with and inform AUSTRAC and other regulators, and the Bank's financial crime operating model to ensure increased confidence in managing this area of risk.

Banking Royal Commission

The purpose of the Banking Royal Commission (**RC**) is to inquire into the misconduct of banks, insurers, superannuation funds and other financial services institutions, and to assess the effectiveness of existing regulatory frameworks and mechanisms for customer redress.

The RC's interim report is due by 30 September 2018. Its final report is due by 1 February 2019.

The Bank's Response

The Bank has:

- engaged openly and transparently with the RC and is carefully considering the issues specific to the Bank and the broader issues the RC, customers, regulators and other stakeholders are raising in relation to the way the financial services industry operates; and
- established an RC project team to lead our engagement with the RC and manage the various requirements, including finding and providing requested documents, supporting our witnesses, attending hearings, and preparing submissions.

As at 30 June 2018, we had responded to 106 notices to produce documents from the RC, and had provided 47 witness statements and 10 submissions. In addition, Bank executives had provided in-hearing evidence to the RC on 12 occasions.

BBSW Proceedings

In May 2018, we announced that we had reached an agreement with the Australian Securities and Investments Commission (**ASIC**) to settle the legal proceedings in relation to claims of manipulation of the Bank Bill Swap Rate (**BBSW**).

The settlement was approved by the Federal Court in June.

The Bank's Response

The Bank has:

- agreed to acknowledge:
 - attempts to engage in unconscionable conduct breaching the ASIC Act on five occasions in the course of trading on the BBSW market in Australia; and
 - that the Bank did not have adequate policies and systems in place to monitor employee trading and communications to prevent that conduct;
- agreed to pay a \$5 million penalty, a payment of \$15 million to a financial consumer protection fund and \$5 million towards ASIC's costs; and
- entered into an EU with ASIC under which an independent expert will be appointed to review controls, policies, training and monitoring in relation to the Bank's BBSW business.

Remuneration

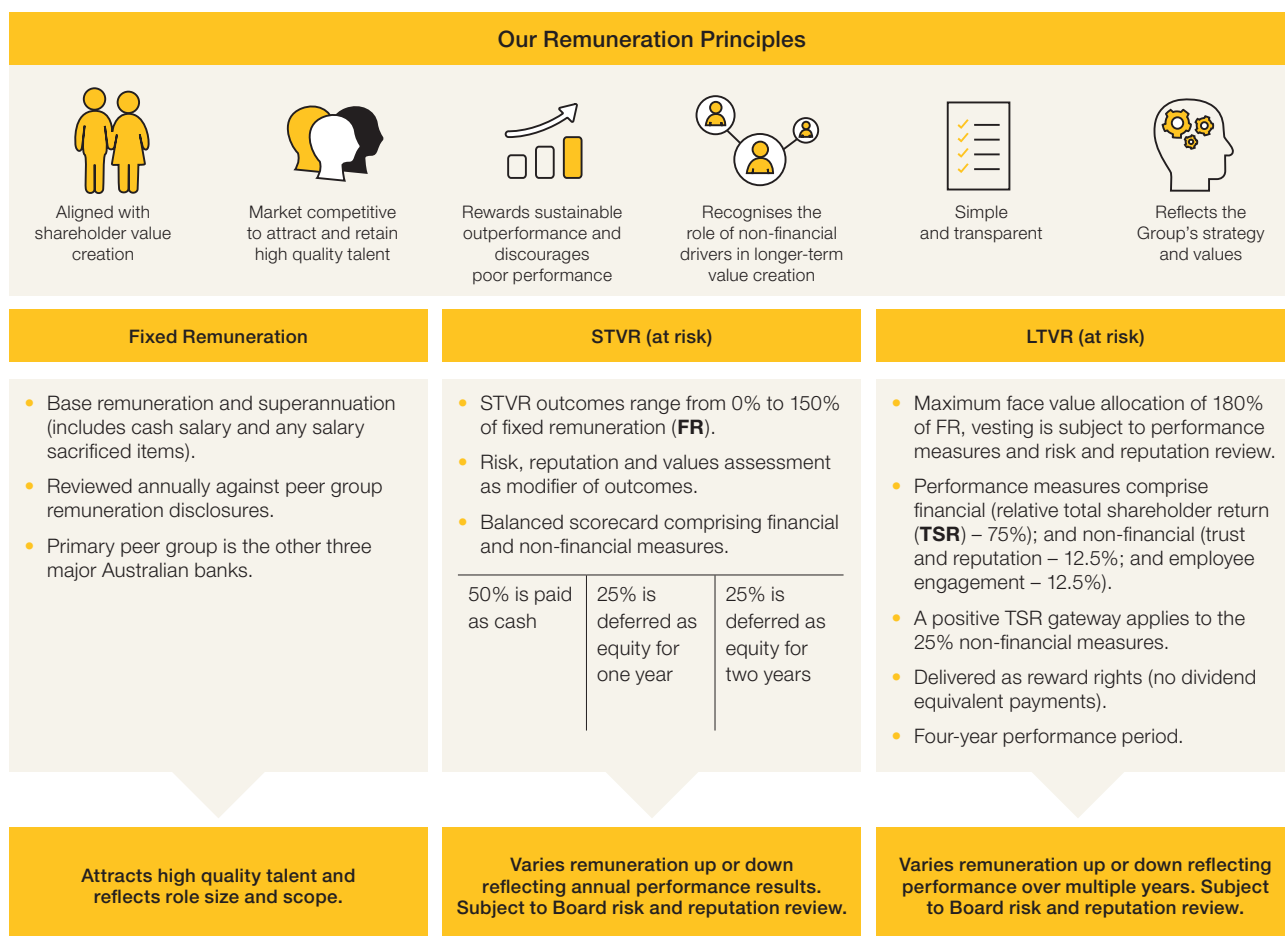
2018 Financial Year Executive Remuneration Framework

The following diagram illustrates the remuneration framework that applied to the CEO and Group Executives during the 2018 financial year.

The Remuneration Committee undertook a comprehensive review of the Bank's executive remuneration framework with changes effective from 1 July 2017. The key changes included:

- increased weighting on financial and quantitative measures in short-term variable remuneration (**STVR**);
- 50% of STVR deferred into equity (previously cash);
- a longer STVR deferral period over two years (previously STVR deferral was one year);
- introduction of new long-term variable remuneration (**LTVR**) performance measures;
- allocating LTVR reward rights on a face value basis (previously this was on a fair value basis); and
- enhanced risk and remuneration frameworks and governance.

Refer to the Explanatory Memorandum accompanying this document for further detail on the LTVR.



Risk and Reputation Review

We further strengthened our risk and reputation review processes during the 2018 financial year. Risk scorecards were introduced as a key input to the overall risk assessment for executives, providing the Board with robust information to determine the appropriate consequences to be applied to executive STVR and LTVR outcomes for risk and reputation matters. Executive risk scorecards are independently reviewed and challenged by the Group Chief Risk Officer.

The Remuneration Committee also met with the Risk and Audit Committees to consider all relevant risk and audit matters in determining of executive remuneration outcomes.

CEO and Group Executive Remuneration Outcomes

CEO FR
↓ **17%**

Matt Comyn's FR was set at a level 17% (\$450,000) lower than the former CEO's FR.

STVR vesting outcomes
0% – 38%
of maximum STVR

The CEO and Group Executives FY18 STVR outcomes ranged from 0% - 38% of maximum STVR.

LTVR vesting outcome
23.82%

The FY15 LTVR award reached the end of its four-year performance period on 30 June 2018 and vested at 23.82%. 76.18% of the award lapsed.

Remuneration Consequences of the APRA Prudential Inquiry

Reflecting consideration of individual and collective accountability for the APRA Prudential Inquiry findings, the Board exercised its discretion to:

- reduce FY18 STVR payments of current and former Group Executives by 20%;
- lapse a portion of the unvested deferred STVR awards for approximately 400 current and former Executive General Managers and General Managers; and
- forfeit the full amount of unvested LTVR awards of select former Group Executives.

In March 2018, Matt Comyn offered to forgo his FY18 STVR award and the Board accepted his offer. The Board and Ian Narev agreed that Ian would not receive his FY18 STVR award or any of his unvested LTVR awards.

The Board applied further downward STVR adjustments to current and former Group Executives relating to individual risk matters, separate to the APRA Prudential Inquiry Report findings.

The total impact for all employees of the operation of the remuneration framework and exercise of Board discretion over FY17 and FY18 has been a reduction in remuneration outcomes exceeding \$100 million.

Review of Product Sales Commissions and Product Based Payments

Aligned with Stephen Sedgwick's independent review and recommendations, substantial changes were made to the way our retail customer-facing roles and their leaders are recognised and rewarded, effective 1 July 2018 by:

- limiting the weighting of any financial measures to 30% of a balanced scorecard;
- removing high-risk features such as accelerators;
- rewarding tellers based on customer feedback and leader observations; and
- introducing net promoter score to support customer centricity.

Remuneration Committee's Focus Areas for the 2019 Financial Year (FY19)

The Remuneration Committee's priorities and key actions for FY19 are:

- completion of the APRA Prudential Inquiry Report's agreed FY19 remuneration-related milestones;
- further enhancement of frameworks and governance in relation to remuneration consequences for risk, reputation and conduct outcomes; and
- undertaking a comprehensive review of the executive remuneration strategy and framework.

Notice of Meeting



The 2018 Annual General Meeting (the AGM or the Meeting) of the Commonwealth Bank of Australia (the Bank, the Company or CBA) will be held on Wednesday, 7 November 2018 commencing at 9.30am (Brisbane time) in the Plaza Ballroom at the Brisbane Convention and Exhibition Centre, on the corner of Merivale and Glenelg Streets, South Brisbane, Queensland.

Items of business

1. Discussion of Financial Statements and Reports

To discuss the Financial Report, the Directors' Report and the Auditor's Report of the Company for the financial year ended 30 June 2018.

2. Re-election and Election of Directors

- (a) To re-elect Catherine Livingstone AO who retires in accordance with the Company's Constitution and, being eligible, offers herself for re-election.
- (b) To elect Ms Anne Templeman-Jones who retires in accordance with the Company's Constitution and, being eligible, offers herself for election.

Information about the Directors seeking re-election and election under Item 2 appears on page 15 of the Explanatory Memorandum, which forms part of this document, including the Board's recommendation in relation to the Directors seeking re-election and election.

3. Adoption of the Remuneration Report

To adopt the Remuneration Report of the Company for the financial year ended 30 June 2018.

Note: The vote on the item is advisory only and does not bind the Company or the Directors.

4. Grant of Securities to Mr Matt Comyn

To approve for all purposes, including ASX Listing Rule 10.14, Mr Comyn's participation in the Employee Equity Plan (**EEP**) of the Company and for the grant of rights to Mr Comyn within one year of the date of this AGM under the EEP and on the terms described in the Explanatory Memorandum, which forms part of this document.

Voting Exclusion Statement for Item 3

The Company will disregard any votes cast on Item 3:

- by or on behalf of a member of the Company's Key Management Personnel (**KMP**) named in the Company's 2018 Remuneration Report or their closely related parties, regardless of the capacity in which the vote is cast; or
- as a proxy by a member of the KMP at the date of the AGM or a closely related party of such a member.

However, votes will not be disregarded if they are cast as a proxy for a person entitled to vote on Item 3:

- in accordance with a direction as to how to vote on the Voting/Proxy Form; or
- by the Chairman of the Meeting under an express authorisation to exercise the proxy even though Item 3 is connected with the remuneration of the KMP.

Voting Exclusion Statement for Item 4

The Company will disregard any votes on Item 4:

- cast in favour of that Item by or on behalf of Mr Comyn or any of his associates, regardless of the capacity in which the vote is cast; and
- cast as a proxy by a member of the KMP at the date of the AGM or a closely related party of such a member.

However, votes will not be disregarded if they are cast as a proxy for a person entitled to vote on Item 4:

- in accordance with a direction as to how to vote on the Voting/Proxy Form; or
- by the Chairman of the Meeting under an express authorisation to exercise the proxy even though Item 4 is connected with the remuneration of a member of the KMP.

Direct Voting

If you are a shareholder and unable to attend and vote at the AGM, you are entitled to vote your shares directly by marking "X" in Method A on the Voting/ Proxy Form which accompanies this document. You will then not need to appoint a proxy to act on your behalf. You should mark "For", "Against" or "Abstain" for each Item on the Voting/ Proxy Form.

If you vote on at least one Item, but leave other Item(s) blank, the vote on the Item(s) marked will be valid, but no vote will be counted for the Item(s) left blank.

If you leave the voting boxes blank for all Items, the Chairman of the Meeting will be deemed to be your appointed proxy for all Items. The Chairman of the Meeting's voting intentions are set out below in the section entitled "Chairman of the Meeting's Voting Intentions".

Proxy Appointment

If you are a shareholder and unable to attend and vote at the AGM, and do not choose to use direct voting, you are entitled to appoint a proxy to attend and vote on your behalf. A proxy need not be a shareholder and may be an individual or a body corporate. To do so, you should mark "X" in Method B on the Voting/Proxy Form, to appoint the Chairman of the Meeting as your proxy, or insert the name of your proxy in the space provided in Method B. Subject to what is set out below in relation to the KMP, if no voting directions are given, the proxy may vote as they see fit for each undirected resolution.

If a shareholder appoints a member of the KMP (which includes each Director) as a proxy, the member is not permitted to cast the shareholder's votes on Item 3 or 4, unless the shareholder directs the member how to vote or the Chairman of the Meeting is the shareholder's proxy.

If you are a shareholder entitled to cast two or more votes, you may appoint up to two proxies to attend the AGM and vote on a poll and may specify the proportion of voting rights or the number of votes each proxy is appointed to exercise. If you appoint two proxies and both attend the AGM, neither proxy may vote on a show of hands.

Express Authorisation of Chairman

If a shareholder appoints the Chairman of the Meeting as their proxy or the Chairman of the Meeting is appointed as the shareholder's proxy by default, and the shareholder does not mark a voting box for Item 3 or 4, then by signing and returning the Voting/Proxy Form the shareholder expressly authorises the Chairman of the Meeting to exercise the proxy in respect of the relevant Item, even though the Item is connected with the remuneration of one or more of the Company's KMP.

Chairman of the Meeting's Voting Intentions

The Chairman of the Meeting intends to vote all available proxies in favour of Items 2(a), 2(b), 3 and 4.

Sending us your Direct Vote or Proxy Form

The completed Voting/Proxy Form must be received by the Company's Share Registry, Link Market Services Limited (**Share Registry**), at Locked Bag A14, Sydney South New South Wales 1235 or by facsimile to (02) 9287 0309 in Australia, or (+61) 2 9287 0309 if you are overseas, by 9.30am (Brisbane time) on Monday, 5 November 2018. A return envelope is provided.

If you wish to submit your direct vote or your proxy appointment and voting instructions electronically, visit the Share Registry website, www.vote.linkmarketservices.com/CBA and follow the prompts and instructions. You will need your Securityholder Reference Number (**SRN**) or Holder Identification Number (**HIN**) which appears in the top right hand side of the Voting/Proxy Form.

If your direct vote or proxy appointment is signed by an attorney, or in the case of a direct vote or proxy submitted electronically, authenticated by an attorney, the power of attorney (or a certified copy of the power of attorney) must be received by the Share Registry at the address or by facsimile to the number provided above. A return envelope is provided.

Determination of a Shareholder's Right to Vote

The Board has determined that a person's voting entitlement at the AGM will be the entitlement of that person set out in the register of shareholders at 6.00pm (Brisbane time) on Monday, 5 November 2018. Share transfers registered after that time will be disregarded in determining voting entitlements at the AGM.

By order of the Board



Taryn Morton
Company Secretary
28 September 2018

Explanatory Memorandum

Item 1

Discussion of Financial Statements and Reports

The Financial Report, the Directors' Report and Auditor's Report of the Company for the financial year ended 30 June 2018 (collectively the **Reports**) will be put before the AGM. The Reports are contained in the Company's Annual Report for the financial year ended 30 June 2018 (**2018 Annual Report**) which is available online¹.

This Item does not require a formal resolution to be put to the Meeting. Shareholders will be given a reasonable opportunity to ask questions about, or make comments on, the Reports, management and the Company.

Shareholders may submit written questions to PricewaterhouseCoopers, the Company's external auditor, about the content of the Auditor's Report and the conduct of the audit. The questions must be received by the Share Registry by 9.30am (Brisbane time) on Thursday, 1 November 2018. In addition, PricewaterhouseCoopers will attend the AGM and the Chairman of the Meeting will provide a reasonable opportunity for shareholders to ask questions relevant to the audit.

Item 2

Re-election and Election of Directors

In accordance with Rules 11.1 and 11.2(a) of the Company's Constitution, Ms Catherine Livingstone will retire at the AGM and offer herself for re-election. The retiring Director was last re-elected in 2016.

In accordance with Rules 11.4(b) and 11.2(b) of the Company's Constitution, Ms Anne Templeman-Jones will retire at the AGM and offer herself for election.

The Board:

- has in place Director appointment criteria, which incorporate the Company's Board skills matrix, to ensure the Board has the necessary skills and experience to discharge its responsibilities;
- assesses the skills and experience of any prospective Non-Executive Director against those criteria as part of the ongoing Board renewal process; and
- before appointing a new Director, undertakes comprehensive background checks into a candidate's background and experience.

In addition, the Board undertakes an annual review of its performance and practices. This review includes an assessment of each Director's individual performance. The Board considers the review's results in determining whether to endorse any Directors standing for re-election or election at the upcoming AGM.

The Board considers that Ms Catherine Livingstone and Ms Anne Templeman-Jones are independent Non-Executive Directors.

(1) www.commbank.com.au/annual-reports



Ms Catherine Livingstone AO

Catherine has been a Director since March 2016 and was appointed Chairman on 1 January 2017. She is a former Chairman of Telstra Corporation Ltd and of the CSIRO, and was Managing Director and Chief Executive Officer of Cochlear Ltd. She has served on the boards of Macquarie Group Ltd, Goodman Fielder Ltd and Rural Press Ltd. She is a former President of the Business Council of Australia. In 2008, Catherine was awarded Officer of the Order of Australia.

Committees: Catherine is Chairman of the Nominations Committee and a member of the Risk Committee, Audit Committee and Remuneration Committee.

Other Directorships and interests: WorleyParsons Limited, Saluda Medical Pty Ltd, University of Technology Sydney (Chancellor) and The Australian Ballet.

Qualifications: BA (Accounting) (Hons), FCA, FTSE, FAICD, FAA.

Catherine is a resident of New South Wales and is aged 63.

The Board considers that Catherine's successful leadership and extensive business experience including in the financial sector, enables her to continue to provide valuable direction to the Board.

After considering the results of the 2018 director performance review, the Board (except Ms Catherine Livingstone) recommends that shareholders vote in favour of her re-election.



Ms Anne Templeman-Jones

Anne has been a Director since March 2018. She is an experienced listed company non-executive director. She is the former Chairman of the Commonwealth Bank's financial advice companies and is a former director of Cuscal Limited, HT&E Limited, Pioneer Credit Limited, TAL Superannuation Fund, and HBF's private health and general insurance companies.

Anne had a 30-year executive career developing deep operational risk, governance and strategy experience. Early in her career she held audit and accounting roles with Price Waterhouse working in Australia and overseas. She gained experience in corporate banking with Bank of Singapore and then Westpac Banking Corporation, and in private banking with Australia and New Zealand Banking Group Limited. Anne returned to Westpac in 2007 and went on to hold various senior management positions in private banking, risk and strategy until 2013. She has served as a Chair or member of audit and risk committees on current and past boards.

Committees: Anne is a member of the Audit Committee. She will become Chairman of the Audit Committee and a member of the Risk Committee effective from 1 October 2018.

Other Directorships and interests: GUD Holdings Limited, The Citadel Group Limited and WorleyParsons Limited.

Qualifications: BCom (UWA), EMBA (AGSM), MRM (UNSW), CA, FAICD.

Anne is a resident of New South Wales and is aged 57.

The Board considers that Anne's private banking, risk and strategy experience deepens the Board's existing skills and expertise.

After considering the results of the 2018 director performance review, the Board (except Ms Templeman-Jones) recommends that shareholders vote in favour of her election.

Item 3

Adoption of the Remuneration Report

Section 250R of the Corporations Act 2001 (**Act**) requires a listed company to put a resolution to shareholders to adopt its Remuneration Report for the relevant financial year.

The Company's Remuneration Report for the financial year ended 30 June 2018 can be found at pages 96 to 121 of the 2018 Annual Report. It sets out the performance and remuneration for the KMP (who comprise the Company's Non-Executive Directors, the Chief Executive Officer, Group Executives and other Executives).

The Company's remuneration framework is designed to align executive and shareholder interests, retain talent and support long-term value creation by providing employees with competitive remuneration and rewards for sustainable long-term performance. The Board obtains independent input to confirm the appropriateness of these arrangements.

The vote on this Item is advisory only and does not bind the Directors or the Company.

The Board recommends that shareholders vote in favour of this Item.

Item 4

Grant of Securities to Mr Matt Comyn

Why is Shareholder Approval being Sought?

ASX Listing Rule 10.14 requires shareholder approval for the acquisition of securities by a director under an employee incentive scheme. Securities include shares and rights to acquire shares. While it is not currently intended that shares will be issued (as opposed to being acquired on market) to satisfy any award that vests, shareholder approval is being sought, both for good governance and to preserve flexibility in case, for any reason, it is ultimately considered in the Company's best interests to issue shares rather than source them on market.

Approval is sought to grant Mr Comyn, the Company's Managing Director and CEO, rights under the Company's EEP as his long-term variable remuneration (**LTVR**) award. LTVR forms part of the Company's remuneration strategy for the CEO, with market competitive remuneration at risk and in alignment with shareholder interests.

It is proposed that a maximum of 54,364 rights will be granted to Mr Comyn. The rights entitle Mr Comyn to receive shares or a cash equivalent payment, as determined by the Board, subject to vesting conditions, including satisfaction of the performance hurdles set out below over the period from 1 July 2018 to 30 June 2022 (the **Performance Period**).

The LTVR award aims to focus efforts on achieving superior performance for the Company's key stakeholder groups, being its customers, community, employees and shareholders. Participants in the LTVR award for the financial year ending 30 June 2019 comprise Mr Comyn and the Company's Group Executives. No other Directors are entitled to participate in the LTVR award.

Further details about the rights to be offered to Mr Comyn, and the applicable performance measures for the LTVR award, are set out below.

LTVR Award

Mr Comyn's 2019 financial year LTVR award will be determined according to three performance measures:

Total Shareholder Return: 75% of the award, a maximum number of 40,774 rights, will be subject to a performance measure that ranks the Company's Total Shareholder Return (TSR) relative to a peer group comprising the 20 largest companies by market capitalisation listed on the Australian Securities Exchange on 1 July 2018, excluding resources companies and CBA.

The TSR peer group comprises AGL Energy Limited, Amcor Limited, Aristocrat Leisure Limited, Australia and New Zealand Banking Group Limited, Brambles Limited, Cimic Group Limited, CSL Limited, Goodman Group, Insurance Australia Group Limited, Macquarie Group Limited, National Australia Bank Limited, ResMed Inc, Scentre Group, Suncorp Group Limited, Sydney Airport, Telstra Corporation Limited, Transurban Group, Wesfarmers Limited, Westpac Banking Corporation, and Woolworths Group Limited.

Trust and Reputation: 12.5% of the award, a maximum number of 6,795 rights, will be measured against the RepTrak® Pulse Score Survey conducted by the Reputation Institute, which uses four equally weighted questions to test the trust, respect and admiration a respondent has for a particular company. The Company's score over the Performance Period is compared with, and ranked against, the performance over the same period of a peer group of 16 of the largest consumer-facing companies by market capitalisation, listed on the ASX. The peer group excludes resource companies, companies that are not familiar to the general public, companies that do not operate nationally, and CBA. A positive TSR gateway must be achieved before any rights subject to this performance measure can vest to ensure that no vesting occurs unless the change in shareholder value over the period is positive.

The peer group comprises AGL Energy Limited, AMP Limited, Australia and New Zealand Banking Group Limited, Crown Resorts Limited, Insurance Australia Group Limited, Lendlease Group, Macquarie Group Limited, National Australia Bank Limited, Qantas Airways Limited, QBE Insurance Group Limited, Stockland, Suncorp Group Limited, Telstra Corporation Limited, Wesfarmers Limited, Westpac Banking Corporation, and Woolworths Group Limited.

Employee Engagement: 12.5% of the award, a maximum number of 6,795 rights, will be measured against an Employee Engagement performance measure. Employees are invited to participate in an externally conducted survey. Employee Engagement is based on the proportion of employees responding that they "strongly agree" or "agree" with four questions relating to satisfaction, commitment, advocacy and pride (each of which is equally weighted). Employee Engagement will be measured based on the improvement of the Company's Employee Engagement outcomes over the Performance Period. The surveys will be conducted by an independent provider who will facilitate and collate the results. A positive TSR gateway must be achieved before any rights subject to this performance measure can vest to ensure that no vesting occurs unless the change in shareholder value over the period is positive.

In addition, the LTVR award will be subject to a risk and reputation review by the Board before any vesting occurs. This acts as an extra control to ensure that the outcomes that would otherwise be delivered based on performance against the performance measures appropriately align with the Bank's risk and reputation outcomes.

The number of rights that vest for each performance measure will be determined as set out below:

Total Shareholder Return:

Company's peer group ranking at 30 June 2022	Vesting to be applied
In the top quartile (ie 75 th percentile or higher)	100%
Between the median and 75 th percentile	Pro-rata vesting from 50% to 100%
At the median	50%
Below the median	0%

Trust and Reputation:

Company's peer group ranking at 30 June 2022	Vesting to be applied
In the top quartile (ie 75 th percentile or higher)	100%
Between the median and 75 th percentile	Pro-rata vesting from 50% to 100%
At the median	50%
Below the median	0%

A positive TSR gateway must be achieved before the Trust and Reputation tranche can vest.

Employee Engagement:

Company's Employee Engagement Score at 30 June 2022	Vesting to be applied
Stretch score 80%	100%
Between 75% and 80%	Pro-rata vesting from 50% to 100%
Target score 75%	50%
Below target 75%	0%

A positive TSR gateway must be achieved before the Employee Engagement tranche can vest.

How many rights will be granted to Mr Comyn?

A maximum of 54,364 rights will be granted to Mr Comyn. This number has been determined by dividing his maximum LTVR opportunity for each tranche by the volume weighted average price (VWAP) of the Company's ordinary shares over the five trading days up to 1 July 2018.

Following feedback from shareholders, face value has been used to determine the maximum number of rights to be granted, instead of fair value which was used in previous years. A face value approach provides greater simplicity and transparency for shareholders.

If the Company makes a bonus issue or rights issue or undertakes a corporate action or capital reconstruction, the Board may adjust the number or value of the rights granted to Mr Comyn to ensure no material advantage or disadvantage occurs, subject to any ASX Listing Rule requirements. Any such adjustments will be explained in the Company's Annual Report issued following the adjustment.

Each of the LTVR performance measures will be tested following the end of the Performance Period (i.e. after 30 June 2022). The total number of rights (if any) that vest will be the aggregate of the rights that vest against each performance measure, subject to the discretions retained by the Board.

As noted above, the total award is subject to a risk and reputation review. The Board also retains discretion to determine the amount and form of any award that may vest (if any), for example, in the event of a corporate restructuring or capital event. The Board has further discretion to determine that some or all of the award will lapse in certain circumstances, including where, in the opinion of the Board:

- the vesting of rights is not justified or supportable having regard to Mr Comyn's performance and/or conduct or the performance of the Company as a whole; or
- the vesting of rights will impact on the financial soundness of the Company or one of its subsidiaries; or
- the Company is required or entitled to reclaim remuneration or reduce Mr Comyn's remuneration outcome under law, regulation or Company policy; or
- a significant unexpected or unintended consequence or outcome has occurred which impacts the Company.

When will the rights be granted?

Rights will be granted to Mr Comyn following the 2018 AGM, and in any event no later than 12 months after the AGM (i.e. 6 November 2019).

Is Mr Comyn required to pay for the rights?

The rights will be granted at no cost to Mr Comyn. Mr Comyn will not be provided with any loans in relation to his acquisition of securities under the EEP.

Is Mr Comyn entitled to dividends?

Prior to vesting, rights do not carry any voting or dividend (or equivalent payment) rights. Any shares allocated to Mr Comyn on vesting of the rights will carry the same rights (including with respect to voting and dividends) as other ordinary shares in the Company. This means that Mr Comyn will only receive dividends that are paid from the time any rights vest as shares.

Treatment of shares and rights if Mr Comyn leaves the Company

In general, if Mr Comyn ceases employment before the rights vest, unless the Board determines otherwise, his unvested rights will remain on foot and the vesting conditions will be tested in the ordinary course following the end of the Performance Period (except that any continuous service requirement will be deemed to have been waived). In the case of termination of employment for cause, the Board would likely determine that the unvested rights lapse.

Any rights granted under this award that do not vest when tested following the end of the Performance Period will lapse.

Participants under previous approvals

No resolution was put to shareholders at the 2017 AGM relating to the grant of securities under an employee incentive scheme.

The resolution relating to the grant of securities to Mr Ian Narev, the Company's former CEO, under an employee incentive scheme, which was to be put to the 2016 AGM, was withdrawn shortly before that AGM.

Mr Narev was subsequently granted 55,443 rights on terms approved by shareholders at the 2015 AGM. No price is or was payable for the acquisition of those rights. The Board and Mr Narev agreed that these rights would lapse along with all other unvested LTVR rights previously awarded to him.

No other rights have been granted to a Director under an employee incentive scheme since the 2015 AGM.

If approval is given under ASX Listing Rule 10.14, approval will not be required under ASX Listing Rule 7.1.

The Board (with the exception of Mr Comyn) recommends that shareholders vote in favour of this Item.

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Annual Report

To request a copy of the 2018 Annual Report, please contact Link Market Services Limited on +61 1800 022 440 or at **cba@linkmarketservices.com.au**

An electronic version of the Commonwealth Bank's 2018 Annual Report is available at **www.commbank.com.au/annual-reports**

Australian Securities Exchange Listing

CBA

