Basel III
Pillar 3

Annual Remuneration
Disclosures as at 30 June 2018

Becoming a simpler, better bank

CommonwealthBank

Annual remuneration disclosures as at 30 June 2018

Contents

Introduction

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 the Commonwealth Bank of Australia's Board (Board) approved policy. APS 330 requires 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 Group's Remuneration Policy. The quantitative information relates to Senior Managers and Material Risk Takers of the Commonwealth Bank of Australia Group (Group), for the 2018 financial year (FY18).

Qualitative disclosures

In FY18, the following employees have been identified as Senior Managers and Material Risk Takers (as defined in paragraph 22 of APS 330):

Role	Number of Individuals in FY18(1)	Description
Senior Managers(2)	91	All Responsible Persons included in the Group's Fit and Proper Policy(3) and those employees defined under the Hong Kong Monetary Authority (HKMA) Supervisory Policy Manual CG-5. This includes: • The Chief Executive Officer (CEO), all Group Executives (permanent and acting), the Chief Operating Officer Wealth Management, the Group Treasurer, the Executive General Manager (EGM) Group Audit and the CEO of Colonial First State Global Asset Management (CFS GAM) (21 individuals); • Responsible Persons of the Group's regulated subsidiaries (52 individuals); and • KMPs 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 (18 individuals).
Material Risk Takers(4)	22	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 the Group, 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.

(1) This is based on the individual's role as at 30 June 2018 or last role prior to 30 June 2018 that is subject to disclosure.
(2) There were 71 Senior Managers for FY17.
(3) Excluding the roles listed in Prudential Standard CPS 510, paragraph 57 (a).
(4) There were 19 Material Risk Takers for FY17.

1. Remuneration Governance

Remuneration Governance Framework

The Remuneration Committee is the governing body for developing, assessing and monitoring remuneration philosophy, framework and policies across the Group for Board approval.

The Remuneration Committee works closely with the Board's Risk and Audit Committees, the Group Chief Risk Officer and EGM Internal Audit to consider risk and reputational matters when determining remuneration outcomes. Information provided to the Board Committees to support their considerations include executive risk scorecards, details of material risk matters arising during the year and outcomes of internal audit reviews conducted during the year.

The following diagram illustrates our remuneration governance framework.

CBA Board

The Board reviews, challenges, applies judgement and, as appropriate, approves the Remuneration Committee's recommendations. It approves the remuneration of Executives and of Non-Executive Directors and the policies and processes governing both.

Risk Committee

Assists the Board in the governance of the Group's risks.
Advises the Remuneration Committee of material risk matters which may impact remuneration outcomes.

Risk and Remuneration Review Committee (RRRC)

Management committee that advises the Group Chief Risk Officer on accountability for material risk matters which may impact remuneration outcomes.

Remuneration Committee Members (as at 30 June 2018)

David Higgins (Chairman)
Catherine Livingstone AO
Andrew Mohl
Mary Padbury
Wendy Stops

Role

Reviews, challenges, applies judgement and, as appropriate, endorses the recommendations made by management and submits for Board approval.

It oversees the Group's remuneration framework and assists the Board to ensure the Group's remuneration strategy and structure are appropriate.

Charter

The responsibilities of the Remuneration Committee are outlined in its Charter and reviewed periodically:

www.commbank.com.au/content/dam/commbank/about-us/shareholders/pdfs/corporate-profile/remuneration-committee-charter.pdf

Board Audit Committee

Assesses and advises the Remuneration Committee, of any matter relevant to financial outcomes that warrants consideration when it considers variable remuneration award outcomes for Executives.

Independent Remuneration Consultant

During the 2018 financial year, the Remuneration Committee engaged Guerdon Associates to provide specialist information on Executive Remuneration and other related matters.

It did not seek or receive any remuneration recommendations in the 2018 financial year.

The Remuneration Committee met formally 15 times during FY18. The current fee for the Remuneration Committee Chairman is $60,000 per annum and the current fee for Committee members is $30,000 per annum (including superannuation).

Non-Executive Director base and committee fees for FY18 were reduced by an amount equal to 20% of their individual FY17 fees to reflect a shared accountability for the overall reputation of the Group and risk matters.

Group Remuneration Policy

Key features and purpose

The Group Remuneration Policy sets out:

- The remuneration principles that guide the design of the Group's remuneration framework;
- The remuneration framework that delivers the Group's remuneration principles; and
- The policies used to manage remuneration within the remuneration framework, the Group's performance and risk management framework and the Group's legal and regulatory obligations.

The Board has determined that the Group's remuneration policies will:

- Meet high standards of governance and all applicable regulatory and legal requirements and guidelines;
- Align with the Group's vision, values and 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;
- Support avoiding conflicts of interest; and
- Encourage behaviour that supports the long-term financial soundness and the performance and risk management framework of the Group.

Application of the policy

The Group Remuneration Policy applies to all 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 executives and Non-Executive Directors on the Group's Board and the board of any majority owned Group subsidiaries (including offshore entities).

Policy reviews

The Group Remuneration Policy is typically reviewed by the Remuneration Committee and approved by the Group's Board on an annual basis. The review includes an assessment of:

- The application and effectiveness of the Group Remuneration Policy;
- Compliance with relevant legislation or regulatory requirements;
- Compliance by the Group with its policies; and
- The relevance of the Group Remuneration Policy in changing market conditions.

The last review was conducted in May 2018 with amendments made to the Group Remuneration Policy to reflect regulatory and other policy changes.

Independence of Risk and Financial Control Personnel

The majority of risk and financial control personnel (as defined in paragraph 57(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;
- Financial KPIs may be linked to the Group's performance, but not to the business unit performance the employee advises / reviews, upto a maximum weighting of 20%;
- 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. Internal customer feedback may only be included as a KPI for Control Personnel where it is balanced by KPIs that measure effective risk management and governance measures; and
- The ratio of annual variable remuneration to fixed remuneration should be appropriate.

2. Remuneration Framework

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

- Fixed Remuneration (FR); and
- Short-Term Variable Remuneration (STVR) (at risk).

The CEO and Group Executives also have a Long-Term Variable Remuneration (LTVR) (at risk) component.

The following table outlines the key remuneration components. The variable remuneration 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.

Element	Description	Applies to:
FR	• Base remuneration and superannuation (includes cash salary and any salary sacrificed items). • *For the CEO and Group Executives*: Reviewed annually against peer group remuneration disclosures and the primary peer group is the other three major Australian banks. • *For other employees:* Reviewed annually for most employees, within parameters set by the Remuneration Committee. The remuneration review takes into account any change in the scope of the role performed by the individual, changes required to meet the principles of the Group's Remuneration Policy, internal equity and market competitiveness. FR is approved by the individual's direct manager and the next level manager in the reporting line.	All employees

Element	Description	Applies to:
Variable Remuneration (at risk)	• The current variable remuneration instruments include: • Cash (deferred and non-deferred); • Deferred / Restricted Shares (deferred equity)(1); and • Reward Rights (deferred equity). • Cash is the only instrument which can be paid upfront and not deferred. Some of the Group's arrangements allow for variable remuneration to be deferred as cash over an appropriate deferral period.	See STVR and LTVR below
STVR	• STVR awards are discretionary and recognise annual performance over the financial year. Performance is measured using a balanced scorecard comprising financial and non-financial measures. • All other instruments are in the form of deferred remuneration, which vest over an appropriate deferral period, subject to Board risk and reputation review. Deferred remuneration generally applies to senior roles in the Group, as their activities and accountabilities are more closely aligned to the longer term performance of the business.	Most employees (Employees are eligible to participate in variable remuneration arrangements applicable to their position)
LTVR	• LTVR awards in the form of Reward Rights, which vest after a four-year period, subject to the achievement of the relevant performance hurdles, risk and reputation review and final Board approval.	CEO and Group Executives

(1) For offshore jurisdictions with restrictions on equity-based awards, the vested value is delivered as cash

Deferral of variable remuneration

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	• 50% of the STVR award is deferred and delivered in restricted shares that vest equally over one and two years. Deferred STVR awards are subject to Board risk and reputation review prior to vesting. • LTVR awards are deferred over a four-year period (as Reward Rights) and subject to performance measures and Board risk and reputation review.
Executive General Managers (EGMs) and General Managers (GMs)	• One-third of the STVR award is deferred into equity (1) that vest equally over one, two and three years. Deferred STVR awards are subject to Board risk and reputation review prior to vesting. • There are certain executives who also participate in cash-settled award style arrangements that are specific to 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	• All employees with an STVR award of AUD 150,000 or greater, defer one-third of their STVR award into equity (as Deferred / Restricted Shares (1)) that vests in three equal tranches over three years. • There are certain employees who also participate in cash-settled award style arrangements that are specific to CFS GAM. At least one-third of these awards are deferred for at least three years into the instrument applicable to the relevant plan.

(1) For offshore jurisdictions with restrictions on equity-based awards, the vested value is delivered as cash

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

- The employee remaining employed by the Group throughout the vesting period. Typically when an employee leaves due to retirement, ill health separation, redundancy or death, all unvested deferred STVR awards stay on foot and vest at the normal time subject to the remaining vesting conditions. Also, any unvested LTVR awards will remain on foot with performance measured at the end of the performance period related to each award (unless otherwise determined by the Board), where an employee's exit is related to retirement, ill health separation, redundancy or death;
- Realisation of original expected performance outcomes, in the case of STVR;
- The performance hurdles being met, in the case of LTVR;
- A review of any risk and compliance issues associated with any individual; and
- At vesting, the release of the deferred variable remuneration amount not placing undue financial hardship on the Group.

Awards 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 STVR and LTVR awards will generally be forfeited.

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

3. Remuneration and Risk Management

The Group actively manages risks associated with delivering and measuring short-term and long-term performance and remuneration. All activities are managed within the Group's risk appetite, and individual variable remuneration outcomes are reviewed and may be reduced in light of any associated performance and risk and reputation outcomes, including down to zero.

Performance and risk management is built into our remuneration framework by:

- Ensuring that all employees have a values assessment and a standalone risk assessment included in their individual performance review.
- Using executive risk scorecards to underpin the risk assessment process for the CEO, Group Executives and EGMs.
- Managing risk through the mandatory deferral of the necessary proportion of Variable Remuneration of Accountable Persons and a substantial portion of the STVR awards of the CEO, Group Executives, EGMs, GMs (or equivalent roles in each case) and individuals with significant variable remuneration.
- Setting the following risk and remuneration governance practices:
  - The Group and Business Unit RRRC are responsible for reviewing accountability and consequences for risk matters across the Group and Business Unit respectively and act as an advisory body to the Group Chief Risk Officer on all material, systemic and cross-business unit risk matters and all risk matters for EGMs.
  - For the CEO, Group Executives and any other employees whose activities may materially impact the financial soundness of the Group, the Board considers risk matters based on a recommendation by the Board's Risk Committee, when determining variable remuneration outcomes.
- Variable Remuneration awards may (a) not vest, (b) not be paid or (c) be reduced (including to zero), at the discretion of the Remuneration Committee or the Board.

The Group further strengthened the risk and reputation review processes in FY18 with the introduction of risk scorecards 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 together with the Risk and Audit Committees considers all relevant risk and audit matters in the determination of executive remuneration outcomes.

Our remuneration frameworks and policies are underpinned by the Group's risk management framework, as outlined in the Group Risk Appetite Statement. The Group Risk Appetite Statement is the means via which the Board directs management on its risk taking activities in the context of the Group's business strategy, by articulating its three major components: Risk Culture, Risk Tolerances and Risk Limits and Triggers. All Group employees are required to adhere to the Group Risk Appetite Statement, as well as to their Business Unit's Risk Appetite Statement.

Remuneration practices are carefully managed within the Group's Risk Appetite. The Group takes into account the following key risks when implementing remuneration measures:

- Financial Risks (eg credit risk, market risk, insurance risk, liquidity risk);
- Strategic Risks;
- Reputation Risks;
- Operational Risks; and
- Compliance Risks.

4. Linking Remuneration to Performance

Variable remuneration is directly linked to both short-term and long-term performance goals.

FY18 STVR Performance measures

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 below. Any discretionary STVR award is linked to both the Group and individual performance outcomes.

Financial/shareholder objectives have a substantial weighting, and non-financial objectives vary by role. For example in FY18:

- The CEO had a 60% weighting on financial/shareholder measures;
- Group Executives managing business units had a 60% weighting on financial/shareholder measures; and
- Group Executives managing support functions had a 40% weighting on financial/shareholder measures.

Risk is an important factor in accounting for short-term performance. The Group uses Profit after Capital Charge (PACC), a risk-adjusted measure, as a key measure of financial performance. PACC takes into account the profit achieved, and also reflects the risk to capital that was taken to achieve it. Moreover, in managing risk, Executives are required to comply with the Group and relevant Business Unit Risk Appetite Statements and provide exemplary leadership of a strong risk culture.

The key FY18 performance measures for the CEO were:

Performance Category	Weighting	Measures
Financial/shareholder	60%	• Group Cash Net Profit After Tax (NPAT) • Group Underlying PACC • Group Productivity
Customer	15%	• Blended average of Net Promoter Score (NPS) outcomes for retail and business customers (six-month rolling)B
Strategy	15%	• Delivery of key strategic initiatives
People	10%	• Culture • Talent • Diversity • Safety and Well-being
STVR Modifiers		In addition to performance against a balanced scorecard, Executives are assessed on how they demonstrate exemplary leadership of: • **values:** the Board has the discretion to adjust Executive STVR outcomes upwards or downwards including to zero where appropriate • **risk and reputation:** the Board has the discretion to adjust Executive STVR outcomes downwards including to zero where appropriate.

FY18 LTVR performance measures

The CEO and Group Executives are eligible to receive LTVR awards in the form of Reward Rights – each reward right entitles the participant to receive one CBA share, subject to meeting performance hurdles. All FY18 LTVR awards are split and tested against:

- Relative Total Shareholder Return (TSR) (75% weighting of total award);
- Relative Trust and Reputation (12.5% weighting of total award); and
- Absolute Employee Engagement (12.5% weighting of total award).

A positive TSR gateway is applied to the nonfinancial performance measures (trust and reputation, employee engagement), such that no vesting on these measures occurs unless the change in shareholder value is positive.

Quantitative disclosures

The following tables have been prepared in accordance with the quantitative requirements outlined in APS 330 and are in Australian dollars (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 2018.
- **Table (b)** provides a summary of deferred cash and equity-based remuneration, including the total amount of outstanding awards, awards that have vested during FY18 and any reductions due to ex-post explicit and implicit adjustments.

(a) Total Value of Remuneration Awards

	Senior Managers ($'000)(1)		Material Risk Takers ($'000)(1)	
	FY18	**FY17**	**FY18**	**FY17**
Fixed Remuneration				
Cash-based (non-deferred)(2)	**36,206**	32,726	**9,052**	9,598
Other (non-deferred)(3)	**785**	1,859	**176**	160
Variable Remuneration				
Cash-based (non-deferred)(4)	**12,546**	9,864	**5,991**	8,396
Cash-based (deferred)	**3,692**	3,504	**-**	-
Shares and share-linked instruments (deferred)(5)	**17,602**	21,109	**3,327**	4,434
Other (6)	**142**	173	**-**	-

(1) Ninety-nine Senior Managers and Material Risk Takers received a variable remuneration award during FY18. No guaranteed bonuses were made during FY18 to Senior Managers or Material Risk Takers. Two sign-on awards were made to Senior Managers and Material Risk Takers (a total of $491,585) who joined the Group during FY18 (one sign-on award was provided in FY17). 13 Senior Managers and Material Risk Takers exited the Group during FY18. A total of $4,794,280 was made in termination payments to seven Senior Managers and Material Risk Takers in FY18 (in FY17, termination payments were $79,502 to one Senior Manager).

(2) This includes base remuneration and all superannuation contributions / pension payments, and the annual grant of up to $1,000 in CBA shares through the Employee Share Acquisition Plan.

(3) This includes annual leave and long service leave accruals. For the CEO and Group Executives, it includes car-parking costs (including associated fringe benefits tax).

(4) This value represents the cash portion of the STVR awards made in relation to performance over FY18. For the CEO and Group Executives this represents 50% of their total FY18 STVR award. For most other Senior Managers and Material Risk Takers this represents two-thirds of their total FY18 STVR award.

(5) For all deferred equity awards, this includes the FY18 accounting expenses of previous deferred STVR awards, LTVR awards and amounts relating to equity sign-on and other equity-based arrangements. For deferred STVR awards, this includes the FY18 expense for deferred STVR awards. For deferred LTVR, this includes the FY18 expenses for Reward Rights awarded in prior financial years and FY18.

(6) This includes interest accrued in relation to the FY16 CEO and Group Executive deferred STVR award.

(b) Deferred Remuneration

	Senior Managers ($'000)		Material Risk Takers ($'000)	
	FY18	**FY17**	**FY18**	**FY17**
Outstanding Remuneration(1)				
Cash-based awards	**11,318**	10,083	**105**	-
Shares and share-linked instruments	**58,010**	71,107	**7,561**	11,609
Total Outstanding Remuneration (deferred)	**69,328**	81,190	**7,666**	11,609
Total amount of deferred remuneration vested(2)	**23,663**	20,320	**2,760**	3,419
Total amount of reductions due to explicit adjustments(3)	**(26,102)**	(16,911)	**(784)**	(1,755)
Total amount of reductions due to implicit adjustments(4)	**(8,052)**	-	**(1,043)**	-

(1) 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 2018. For all LTVR awards and equity-based deferred STVR awards this includes the total face value calculated using the Volume Weighted Average Closing Price (VWACP) of the Group's ordinary shares over the five trading days preceding 30 June 2018 .

(2) The value of deferred cash and equity awards that vested during FY18. This includes the value of the awards that vested, and any interest and/or dividends accrued during the vesting period. The value of the vested award is calculated using the VWACP of the Group's ordinary shares over the five trading days preceding the transaction date.

(3) This includes any reductions to awards that vested during FY18 due to revaluation of awards, downward adjustments to awards and award forfeitures. The value of the lapsed award is calculated using the VWACP of the Group's ordinary shares over the five trading days preceding the transaction date

(4) This includes any reductions to the value of the total outstanding awards due to downward movements in CBA share price during the year. The reduction in value is calculated using the VWACP of the Group's ordinary shares over the five trading days preceding 30 June 2017 and 30 June 2018, respectively for the beginning and end values.

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
Accountable Persons	Has the meaning given in the Banking Act.
Board	The Board of Directors of the Group.
Deferred Rights	Rights to ordinary shares in CBA granted under the Group Rights Plan subject to forfeiture on resignation. These are used for deferred STVR awarded under Executive General Manager and General Manager arrangements, deferred STVR awarded under Executive arrangements from 1 July 2017, sign-on and retention awards.
Group Executive	Key Management Personnel who are also members of the Group's Executive Committee (excludes the CEO).
Individuals with Significant Variable Remuneration	EGMs, GMs (or equivalent) and any employees within the Group whose Annual Variable Remuneration is equal to or greater than AUD150,000 per annum.
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.
Key Performance Indicators (KPIs)	Quantitative and qualitative measures, agreed at the start of the performance year to communicate expected performance outcomes at the Group, business unit and / or team and individual level.
Long-Term Variable Remuneration (LTVR)	A variable remuneration arrangement which grants instruments to participating Executives that may vest over a period of four years if, and to the extent that, performance hurdles are met.
Profit After Capital Charge (PACC)	The Group uses PACC, a risk-adjusted measure, as a key measure of financial performance. It takes into account the profit achieved, the risk to capital that was taken to achieve it, and other adjustments.
Reward Rights	Rights to ordinary shares in CBA granted under the LTVR Plan and subject to performance hurdles.
Short-Term Variable Remuneration (STVR)	Variable remuneration paid subject to the achievement of predetermined performance hurdles 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	Remuneration that depends on minimum performance standards being achieved within a defined period.