



# Commonwealth Bank of Australia

## Remuneration Committee Charter

### 1. Role of the Committee

- 1.1 This Remuneration Committee (**Committee**) of the Commonwealth Bank of Australia (**CBA** or **Bank**) has been established under Rules 13.5 of the Constitution to assist the Board in discharging its responsibilities on matters relating to:
  - 1.1.1 The Bank's remuneration strategies;
  - 1.1.2 The Group Remuneration Policy;
  - 1.1.3 Remuneration arrangements for non-executive directors of the Board, Regulated Subsidiaries (defined below) and other nominated entities;
  - 1.1.4 Remuneration arrangements and outcomes for the Chief Executive Officer (**CEO**) and senior direct reports to the CEO, Responsible Persons<sup>1</sup> of Bank and Regulated Subsidiaries (defined below), and other individuals whose role may affect the financial soundness of the Bank and its subsidiaries (**Group**);
  - 1.1.5 Annual fixed and short-term variable remuneration budgets;
  - 1.1.6 Variable remuneration plans and performance management frameworks;
  - 1.1.7 Employee equity plans and employee superannuation;
  - 1.1.8 Benefits of material value to employees<sup>2</sup>; and
  - 1.1.9 Remuneration disclosures.
- 1.2 The Committee also serves as the Remuneration Committee for Australian Prudential Regulation Authority (**APRA**) regulated subsidiaries and some Global Regulated Entities<sup>3</sup> who may delegate their remuneration committee function to the Committee (referred to in this Charter as **Regulated Subsidiary** or **Regulated Subsidiaries**).
- 1.3 In carrying out its role the Committee will:
  - 1.3.1 Ensure remuneration practices are aligned to the Board's remuneration strategy and principles; are applied consistently with the Bank's other policies; have regard to performance; are aligned with current governance, legal and regulatory requirements; and are robust to ensure they encourage behaviours which mitigate against operational, financial, regulatory (including disclosures) and reputational risks.
  - 1.3.2 Work closely with the Risk Committee and the Risk Management function to consider risk and reputational matters relevant to the determination of variable remuneration outcomes.
- 1.4 The Committee has the authority to fulfil its responsibilities as set out in Section 5 of this Charter.

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<sup>1</sup> As defined in the Group Fit and Proper Policy.

<sup>2</sup> Materiality of benefits will be determined by the Executive General Manager, Performance and Reward.

<sup>3</sup> An entity within the Group subject to remuneration governance requirements under the jurisdiction in which it operates.



## 2. Composition

- 2.1 The Board appoints the members and Chair of the Committee.
- 2.2 The Committee will consist of at least four directors, all of whom must be independent non-executive directors.
- 2.3 The Chair must be an independent non-executive director and not the Chair of the Board.
- 2.4 At least one member of the Committee will be a member of the Risk Committee.
- 2.5 The Company Secretary of the Bank, or such other person as the Board may nominate, will act as the Committee Secretary.

## 3. Meetings

- 3.1 The Committee will meet six times or more frequently if necessary.
- 3.2 The presence of one half of the members of the Committee (rounded upwards if not a whole number) will constitute a quorum.
- 3.3 All directors may attend Committee meetings and have access to Committee papers.
- 3.4 The CEO, Group Executive Human Resources and Executive General Manager Performance and Reward are invited to attend Committee meetings, except when matters being considered relate to them.
- 3.5 The Chair, in consultation with the Committee Secretary, is responsible for the conduct of all Committee meetings.

## 4. Access, Reliance and Advice

- 4.1 The Committee will have free and unfettered access to senior management, any other relevant internal (including risk and control personnel) and external party and information, and may make any necessary enquiries to fulfil its responsibilities.
- 4.2 The boards of the Regulated Subsidiaries will have free and unfettered access to the Committee.
- 4.3 Management is responsible for the preparation, presentation and integrity of the information provided to the Committee.
- 4.4 The Committee may obtain independent advice at the Bank's expense, including by engaging and receiving advice and recommendations from appropriate independent experts (including remuneration experts). The engagement and any advice received will be independent of management.
- 4.5 Committee members are entitled to rely on information and advice provided by management of the Bank on matters within their responsibility, and on the expertise of independent experts, as long as they are not aware of any reasonable grounds where such reliance is inappropriate.

## 5. Responsibilities of the Committee

Without limiting its scope, the Committee is responsible for:

### Remuneration Strategy

- 5.1 Defining the Group's remuneration principles and the strategic objectives for remuneration frameworks, informed by emerging market practice and regulatory requirements, for Board approval.



- 5.2 Addressing feedback of key stakeholders and considering the outcome of the annual shareholder advisory vote on the adoption of the Remuneration Report.

### Group Remuneration Policy

- 5.3 Reviewing and recommending to the Board for approval, and the boards of the Regulated Subsidiaries for which it acts as the Committee, the Group Remuneration Policy.
- 5.4 Reviewing and assessing the effectiveness of the Group Remuneration Policy to ensure it delivers on its intent and that it complies with prudential requirements.
- 5.5 Assuring each board of a Regulated Subsidiary for which it acts as the Committee, of compliance with the Group Remuneration Policy at least annually.
- 5.6 Reviewing and recommending to the Board for approval the Group's Mandatory Shareholding Policy and monitoring compliance with it.
- 5.7 Reviewing and recommending to the Board for approval the remuneration structures for Control Personnel<sup>4</sup> and Individuals with Significant Variable Remuneration<sup>5</sup>.
- 5.8 Reviewing annually the remuneration structures applying to employees classified as Identified Employees in accordance with the Financial Conduct Authority (FCA) Remuneration Codes.
- 5.9 Reviewing and recommending to the Board for approval the annual fixed remuneration budget and discretionary short-term variable remuneration pool for the Group, having regard to current and future capital requirements.
- 5.10 Reviewing and recommending to the Board for approval new or material<sup>6</sup> amendments to performance management frameworks, variable remuneration plans, employee superannuation and pensions, and benefits of material value to employees.

### Remuneration Arrangements and Outcomes

- 5.11 Receiving reports on pay equity gaps and the steps taken to identify, eliminate and rectify any identified gaps.
- 5.12 Reviewing and recommending to the Board for approval the fees (inclusive of superannuation) for non-executive directors of the Bank.
- 5.13 Setting and approving the fee structures for non-executive directors appointed to the boards of the CBA subsidiaries and related companies (defined in the relevant Board policy).
- 5.14 Reviewing and recommending to the Board for approval, remuneration arrangements, including performance scorecard measures and outcomes at least annually and termination payments as required, for the CEO and the CEO's senior direct reports.
- 5.15 Reviewing and recommending to the Board for approval, at least annually, remuneration arrangements, including performance measures, and outcomes for Responsible Persons of the Bank and any other individuals whose activities are deemed by the Board to affect the financial soundness of the Bank.

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<sup>4</sup> Defined in the Group Remuneration Policy as Employees within the Group whose primary role is Risk Management, Compliance, Audit, Actuarial, Finance or Legal control.

<sup>5</sup> Defined in the Group Remuneration Policy as Executive General Managers, General Managers and any other employee whose annual variable remuneration is equal to or greater than AUD150,000.

<sup>6</sup> The materiality of amendments will be determined by the Executive General Manager, Performance and Reward.



- 5.16 Reviewing and recommending to each of the boards of Regulated Subsidiary boards for which the Committee acts, the remuneration arrangements and outcomes for Responsible Persons of that Regulated Subsidiary, at least annually.
- 5.17 Approving the remuneration of individuals who are:
  - 5.17.1 Senior officers in risk management and compliance functions in accordance with FCA Remuneration Codes.
  - 5.17.2 Senior managers and key personnel in accordance with the Hong Kong Monetary Authority.

#### Employee Equity Plans

- 5.18 Reviewing and recommending to the Board for approval the design of new employee equity plans as well as material changes to existing employee equity plans.
- 5.19 Approving amendments, including any operational and compliance related changes, to existing employee equity plans which are not otherwise to be recommended to the Board for approval.
- 5.20 Approving adjustments to employee equity vesting outcomes following risk and compliance reviews.
- 5.21 Monitoring the progress of performance hurdles under the Bank's equity-based long-term variable remuneration arrangements.

#### Remuneration Disclosures

- 5.23 Reviewing and recommending to the Board for approval the Remuneration Report.
- 5.24 Reviewing and recommending to the Board for approval remuneration disclosures required under *APS 330 Public Disclosure*.
- 5.25 Reviewing and recommending to the relevant Regulated Subsidiary board for approval the annual Registrable Superannuation Entity remuneration disclosures.

#### Termination Arrangements

- 5.26 Receiving reports on termination payments for all current and former directors of Group subsidiaries whether in Australia or overseas.

## 6. Standing Delegation

- 6.1 The Committee Chair is delegated the authority to review and:
  - 6.1.1 make recommendations to the Board under paragraph 5.15, except in relation to the CEO and the CEO's direct reports, and paragraph 5.16; and
  - 6.1.2 approve any matters under paragraphs 5.19 and 5.20, between Committee meetings, where it is necessary to expedite a recommendation or approval prior to the next Committee meeting.
- 6.2 The Board Chair is delegated the authority to review the recommendations made by the Committee Chair under 6.1.1 (except in respect of paragraph 5.15 as it relates to the CEO and the CEO's direct reports) and approve them on behalf of the Board.



- 6.3 The Committee Chair and the Board Chair must report the details of any exercise of the delegated authority under paragraphs 6.1 and 6.2 in the next quarterly compliance report to the Committee.

## **7. Reporting**

- 7.1 The minutes of the Committee meetings will be circulated to all directors.
- 7.2 The Committee Chair will report on the business of the Committee meetings to the Board and convey Committee recommendations.

## **8. Committee Performance and Charter Review**

- 8.1 The Committee will review its performance annually, as part of the annual Board performance review.
- 8.2 The Committee will review the adequacy of this Charter at least every two years and recommend amendments to the Board for approval.

## **9. Other**

- 9.1 The Committee members will meet with the APRA upon request.
- 9.2 The Committee will perform any other responsibilities as may be ascribed by the Board from time to time.

**Charter Approved: October 2017**