

# 2019 Corporate Governance Statement



**Commonwealth**Bank

## 2019 Corporate Governance Statement

**The Commonwealth Bank of Australia is committed to our strategy of becoming a simpler better bank, to fulfil our purpose of improving the financial wellbeing of our customers and communities.**

The Commonwealth Bank of Australia (**CBA or Bank**) is in its third year of strengthening corporate governance practices to meet the high standards expected of us and in light of the Australian Prudential Regulation Authority (**APRA**) Prudential Inquiry into CBA (**Inquiry Report**), and the Final Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (**Royal Commission Final Report**).

This Statement describes the key governance arrangements and practices of the Bank and its related bodies corporate (**Group**). These arrangements and practices met all of the requirements of the third edition of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*

(**Recommendations**) during the year ended 30 June 2019. In addition, the Group's corporate governance arrangements and practices already comply with a number of the new recommendations and suggestions in the fourth edition of the Recommendations. The Group must also comply with the *Corporations Act 2001 (Cth)* (**Corporations Act**), the *Banking Act 1959 (Cth)*, including *Part IIAA of the Banking Executive Accountability Regime (BEAR)* amongst other laws, and, as an Authorised Deposit-taking Institution, with governance requirements prescribed by APRA under Prudential Standard CPS 510 Governance. The Group's main business activities are also subject to industry codes of practice such as the Australian Banking Association Banking Code of Practice.

The Board regularly reviews and refines its corporate governance arrangements and practices in light of new laws and regulations, evolving stakeholder expectations and the dynamic environment in which the Bank operates.

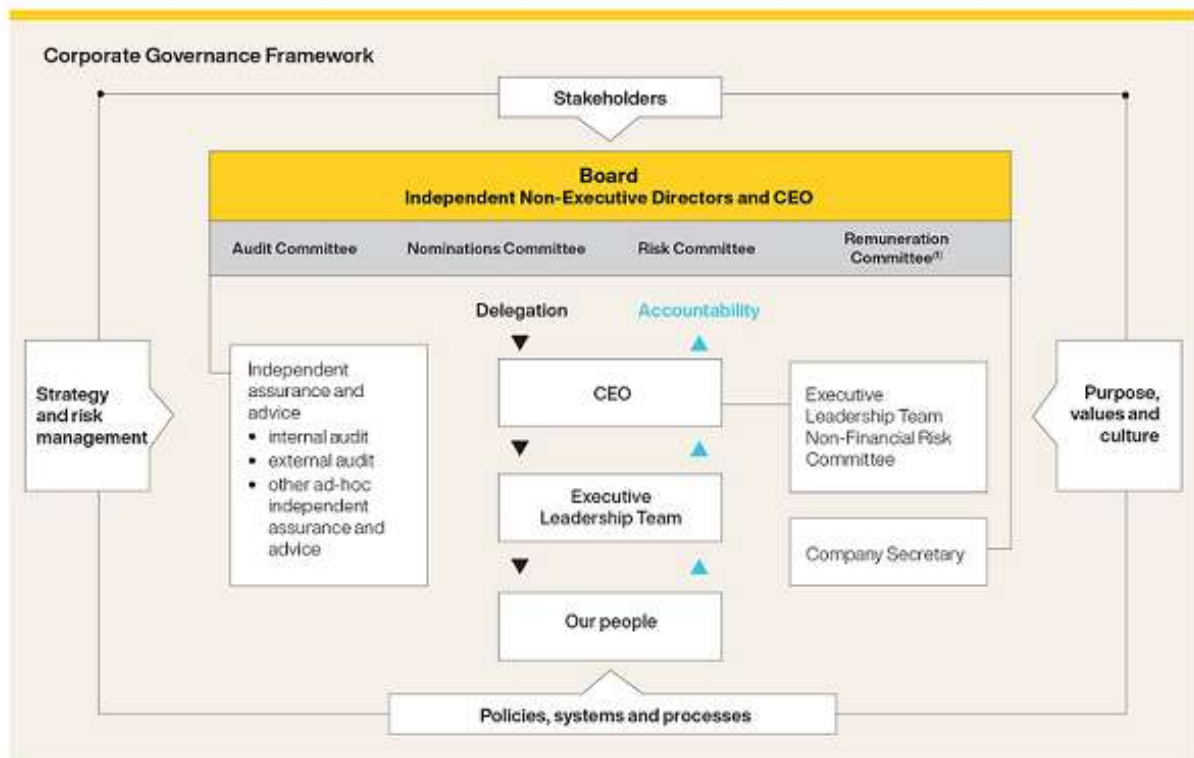
The Statement has been approved by the Board and is current as at 7 August 2019.

### Board of Directors



Left to right: Shirish Apte, Anne Templeman-Jones, Wendy Stops, Sir David Higgins, Matt Comyn (CEO), Paul O'Malley, Catherine Livingstone AO (Chairman), Professor Genevieve Bell, Robert Whitfield, Mary Padbury.

## Corporate Governance Framework



<sup>1</sup> Committee name changed to People & Remuneration Committee effective 1 July 2019.

The diagram above shows the Bank's current Corporate Governance Framework, including its Board Committees.

The Board is responsible for setting the strategic objectives and risk appetite for the Bank, and for leading the culture, values and behaviours of our people. The Board appoints the Bank's Managing Director and Chief Executive Officer (CEO). It also oversees the management, performance and Corporate Governance Framework of the Bank.

In addition to matters required by law to be approved by the Board, the Board has reserved certain powers for itself as described in the Board Charter and the Board's Reserved Powers and Standing Delegations document.

The Board delegates certain powers to its Board Committees. At its discretion, the Board may form other committees to undertake specific duties from time to time. The Board confers on the CEO the powers of the Board exercisable in management of the business of the Bank. The CEO, in turn, may delegate some of these powers to Group Executives and other officers under instruments of delegation. Despite any delegations by the CEO, the CEO is accountable to the Board for the exercise of the delegated powers and management's performance.

The Executive Leadership Team established a Non-Financial Risk Committee in June 2018. Its role is to assist and advise the CEO in the governance and effective management of the Group's non-financial risks. This includes operational, compliance (including conduct), financial crime and cyber risks, in accordance with the Group's Risk Appetite Statement (RAS) and

Group Risk Management Approach (RMA) as approved by the Board.

The key functions of the Board and its Board Committees are outlined in this Statement. Copies of the Board and Board Committee Charters can be found on our [website](http://commbank.com.au/about-us/shareholders/corporate-profile/corporate-governance) at [commbank.com.au/about-us/shareholders/corporate-profile/corporate-governance](http://commbank.com.au/about-us/shareholders/corporate-profile/corporate-governance)

## 2019 Governance Priorities

The Board's governance priorities were:

- overseeing implementation of our Remedial Action Plan (Plan) in response to the Inquiry Report into CBA, to strengthen the Bank's culture, governance and risk management;
- working with government and the Bank's regulators to address all issues raised in the Royal Commission Final Report and to oversee implementation of the recommendations made in that report;
- undertaking Board renewal;
- improving Board oversight of non-financial risks;
- ensuring risk-related behaviours and outcomes are reflected in variable remuneration outcomes;
- improving the issues identification and management process, and the Group Audit and Assurance (GA&A) end to end process;
- enhancing the governance framework for key operating subsidiaries; and
- simplifying our Group policy framework.

## Culture

The Bank is focused on shaping a more accountable culture that not only supports the achievement of business strategies, but also drives decisions that are lawful, ethical and responsible, and that lead to better outcomes for our customers and stakeholders. The Board acknowledges that community confidence and trust in the Bank depends on this.

The Board recognises that, together with management, it has a critical role in setting the cultural tone of the Bank. The Board seeks to guide the Bank's culture through the CEO and oversight of risk, remuneration and governance frameworks, policies and processes.

The Board monitors the Bank's culture and management's cultural change initiatives through information from employee surveys, Audit reports, compliance reports, whistleblower reports and various other sources.



## Our Purpose and Values

The Bank's purpose is to improve the financial wellbeing of our customers and communities.

We are guided by our values:

- We do what is right;
- We are accountable;
- We are dedicated to service;
- We pursue excellence; and
- We get things done.

Our purpose statement and values expectations continue to be reinforced across the Bank through various communication channels, policies, processes and training. Conduct is formally assessed with respect to the Bank's values, risk and key performance indicators during employee performance reviews. Performance reviews are instrumental in reward and promotion outcomes.

During the 2019 financial year, other mechanisms to reinforce the Bank's desired culture included:

- launching a revised Group Code of Conduct (**Code**), which includes our purpose, values expectations and key Group policies, and encourages all employees to ask not just "Can We" but "Should We?";

- incorporating our recently simplified purpose and restated values expectations into our Group employee recognition programs;
- a focus on our senior leaders cascading the desired tone from the top in a personal and authentic manner through leadership forums and leader-led training; and
- establishing 'AskMe', an online platform designed to capture our people's feedback about new ideas or initiatives that could help us become a simpler better bank.

## Policies

Policies play a key role in guiding decision making and conduct across the Group. To ensure that the Bank's policies are fit-for-purpose, we have enhanced the Group's policy framework and embarked on a comprehensive review of all policies and supporting procedures.

## Code of Conduct

The Group's Code articulates the standards of behaviour expected of our people when engaging with, and balancing the interests of, the Bank's stakeholders. The Code connects our purpose, values expectations (with a 'Should We?' test) and key Group policies to help deliver the right outcomes. It guides our decision making, sets clear boundaries for actions that are unethical, and provides a roadmap for getting help when we run into challenges. Material breaches of the Code must be reported to the Audit Committee. The Code is available on our [website](http://commbank.com.au/policies) at [commbank.com.au/policies](http://commbank.com.au/policies)

## Whistleblower Protection

The Bank is committed to a culture that encourages our people and others to speak up on matters or conduct that concerns them.

The Group Whistleblower Policy outlines the protections provided by the Group to protect a whistleblower from any form of retaliation or victimisation, including termination of employment, harassment and discrimination.

The Group has:

- a Whistleblower Protection Officer, whose role includes overseeing the protection of whistleblowers;
- a Misconduct Governance Committee that oversees the effectiveness and governance of the whistleblower program; and
- a SpeakUP service (including telephone, online and email), which provides an avenue for an individual, including an employee, contractor, consultant or supplier to raise a concern, including anonymously.

Material incidents reported under the Group Whistleblower Policy must be reported to the Audit Committee.

The Group Whistleblower Policy is available on our [website](http://commbank.com.au/policies) at [commbank.com.au/policies](http://commbank.com.au/policies)

## Anti-Bribery and Corruption

The Group is committed to embedding a zero tolerance appetite for bribery, corruption and facilitation payments. An Anti-Bribery & Corruption (**AB&C**) framework, comprising a Group AB&C Policy and Standard has been created to:

- formally acknowledge the serious nature of bribery and corruption;
- prohibit the giving of bribes or other improper benefits to public officials;
- identify potential risks and appropriate controls around offering or accepting gifts, entertainment or hospitality;
- require all parts of the Group to identify and understand the bribery and corruption risks relevant to their operations, and implement appropriate controls; and
- outline the requirements for escalating and reporting AB&C policy breaches.

Material breaches of the policy must be reported to the Board. The Group AB&C Policy is available on our [website](http://commbank.com.au/policies) at [commbank.com.au/policies](http://commbank.com.au/policies)

## Diversity and Inclusion

The Group Diversity and Inclusion Policy outlines our approach and commitment to diversity and inclusion. The policy states the principles our employees and senior leaders are expected to work towards to deliver a workplace that is safe and inclusive, where all of our working parents feel supported, flexible work practices are encouraged and everyone is free from unlawful discrimination, bullying and harassment.

Under the policy, and in accordance with the Board Charter, the Board is responsible for approving the Group's Diversity and Inclusion Policy, and setting, and annually assessing, measurable objectives in relation to diversity and progress against achieving them (in conjunction with the People and Remuneration Committee). Further details about these objectives are set out on pages 32 & 33 of the 2019 Annual Report.

The Group Diversity and Inclusion Policy is available on our [website](http://commbank.com.au/policies) at [commbank.com.au/policies](http://commbank.com.au/policies)

## Conflicts Management

The Group Conflicts Management Policy is designed to ensure that actual, perceived or potential conflicts of interests are identified, managed or prevented. The policy outlines the organisational and administrative arrangements that have been put in place to support the identification and management of conflicts of interest.



## Fit and Proper

The Group Fit and Proper Policy addresses the requirements of APRA Prudential Standards CPS and SPS 520 and requires all persons appointed to a Responsible Person role (including Directors) to satisfy the fit and proper requirements prior to their initial appointment, and be re-assessed annually or at any time information which may affect their fit and proper status becomes known.

## Securities Trading

The Group Securities Trading Policy sets out when our people and their associates may deal in Securities, including Group securities.

The policy prohibits dealing in Securities, including Group securities, when in possession of inside information.

It also prohibits certain specified persons and their associates from dealing in Group securities except during limited 'trading windows'. Trading windows generally include the thirty days commencing the day after the Group's half-year and full-year results announcements, and the fourteen days commencing the day after the Group's quarterly trading updates are released or any other time determined by the Board.

The Group Securities Trading Policy is available on our [website](http://commbank.com.au/corporate-governance) at [commbank.com.au/corporate-governance](http://commbank.com.au/corporate-governance)

## Slavery and Human Trafficking

During the 2019 financial year, the Group published its latest Slavery and Human Trafficking Statement which discloses the actions taken by the Group to prevent slavery and human trafficking in our business and supply chain. The statement complies with the requirements of the UK Modern Slavery Act.

The Slavery and Human Trafficking Statement is available on our [website](http://commbank.com.au/about-us/opportunity-initiatives/performance-reporting) at [commbank.com.au/about-us/opportunity-initiatives/performance-reporting](http://commbank.com.au/about-us/opportunity-initiatives/performance-reporting). For more information, refer to page 39 of the 2019 Annual Report.

The Group is currently preparing for the introduction of the Australian and NSW modern slavery legislation and will disclose our progress in complying with the legislation as required in 2020.

## Risk Management and Assurance

The Group is exposed to both financial and non-financial risks, and is committed to having risk management policies, processes and practices that support a high standard of governance. This enables management to undertake prudent risk-taking activities.

### Risk Framework

The Group's Risk Management function designs and oversees a Risk Management Framework (**Risk Framework**) to allow the Group to manage risks within a Board-approved risk appetite.

The Risk Framework covers all systems, structures, policies, processes and people that identify, measure, evaluate, monitor, report and control or mitigate both internal and external sources of material risk. It incorporates three key documents:

- Group RAS: which articulates the type and degree of risk the Board is prepared to accept and defines the maximum level of risk within which the Group must operate. The Risk Committee is provided with reporting of the position against the risk appetite settings at each meeting;
- Group RMA: which describes how the Group ensures the comprehensive management of risks across the Group in support of achieving its strategic goals; and
- Group Business Plan: which summarises the Group's approach to implementing its strategic objectives. The plan has a rolling three year duration and takes into consideration material risks arising from its implementation.

The Risk Framework is overseen by the Board with the assistance of the Risk Committee and the Audit Committee. The Risk Committee also monitors the Group's risk profile and risk appetite. Additionally, an annual declaration to APRA is made by the Chairs of the Board and the Risk Committee on risk management as required under the relevant Prudential Standards. The Risk Framework is regularly reviewed in light of emerging risks arising from the changing business environment, better practice approaches, and regulatory and community expectations. The Board annually reviews the Risk Framework to satisfy itself that it continues to be sound and discusses key areas of focus for improvement. This occurs as part of its consideration of the risk management declaration it provides to APRA. The last declaration was made in October 2018. Further information on the Risk Framework can be found on pages 201 to 245 of the 2019 Annual Report.

### Remedial Action Plan

Following publication of the Inquiry Report in April 2018, the Bank committed to implement all recommendations. Addressing the findings of the report is a key focus of the Board and management.

The Bank has a Plan in place to address the recommendations outlined in the Inquiry Report. The Plan was approved by APRA on 29 June 2018. A

number of these changes will strengthen the Risk Framework, particularly in respect of operational risk and compliance risk management.

Examples of progress include:

- elevating the focus on risk management by establishing a Non-Financial Risk Committee at the executive level;
- establishing Chief Controls Offices in business units and appointing Chief Controls Officers who are accountable for the management and governance of non-financial risk for their respective business unit; and
- clarifying what we expect of our people through our purpose, values expectations and Code, and more closely linking senior leaders' remuneration with their management of risk. Senior leaders have a proportion of their performance metric tied to the successful delivery of the milestones within the Plan.

All milestones in the Plan are on track to be delivered by the scheduled due dates.

For more on our response to the Inquiry Report, refer to page 73 of the 2019 Annual Report.

## Exposure to Economic, Environmental and Social Risks

The Bank's material risk types include strategic, credit, liquidity, market, operational and compliance risks, which encompass economic, environmental and social sustainability risks. These risks could adversely affect the Group and the achievement of its objectives. More information about the Group's material risks and how the Group seeks to manage risk is described in the operating context and risk management sections of our 2019 Annual Report on pages 8, 50 - 63.

The Group's approach to climate governance, strategy, risk management, metrics and targets is in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. For further detail, refer to pages 55 to 63 of the 2019 Annual Report.

### Internal Audit

The Group has an Internal Audit team that, together with the Credit Portfolio Assurance team, forms the GA&A function.

GA&A's role is to provide independent and objective assurance to management and the Audit Committee.

GA&A is structured to be independent of management, with the most senior GA&A executive, the Group Internal Auditor, reporting directly to the Audit Committee. The Audit Committee holds regular discussions with the Group Internal Auditor in the absence of management. The Group Internal Auditor may only be appointed or dismissed with the Audit Committee's approval. The Group Internal Auditor has free and unrestricted access to all of the Group's information, people, property and records to discharge GA&A's role. In major offshore subsidiary entities, local audit teams operate similarly, but with a direct reporting line to local board committees.

GA&A operates under a separate Charter approved by the Audit Committee, conducts its activities in line with local accounting and regulatory standards and, adheres to the Institute of Internal Auditors' International Professional Practice Framework and Standards.

GA&A's responsibilities include:

- developing a risk-based annual audit plan for the Audit Committee's approval and adjusting that plan where necessary to reflect current and emerging risks;
- executing the audit plan in line with approved audit methodologies and reporting the results of its work to management, the Audit Committee and, where appropriate, to the Risk Committee; and
- escalating to management and the Audit Committee or Risk Committee, as appropriate, instances where GA&A believe that management has accepted a level of risk in excess of the business area's approved risk appetite. The Group Internal Auditor also monitors and reports on progress in addressing significant control and risk issues.

## External Auditor

PricewaterhouseCoopers (**PwC**) was appointed as the Group's External Auditor (**External Auditor**) at the 2007 Annual General Meeting (**AGM**). The External Auditor provides an independent opinion on whether, among other things, the Group's financial report provides a true and fair view of the Bank and Group's financial position and performance.

In line with legislation promoting auditor independence, the Group requires rotation of PwC's lead audit partner after the audit of five successive financial years. The current lead audit partner was appointed effective from 1 July 2017. The lead audit partner holds regular discussions with the Audit Committee in the absence of management. That partner will attend the 2019 AGM and be available to respond to shareholder questions relevant to the audit. The Group and its External Auditor must comply with Australian and United States auditor independence requirements. United States Securities and Exchange Commission rules apply to various activities the Group undertakes in the United States, even though the Bank is not registered under its Exchange Act.

## CEO and CFO Declarations

Before the Board approved the Group's half-year and full-year financial statements for 2019, the CEO and CFO provided the Board with written declarations that, in their opinion:

- the Group's financial records had been properly maintained in accordance with the Corporations Act;
- the financial statements and notes complied with the accounting standards and gave a true and fair view of the Group's financial position and performance; and
- the declarations had been formed on the basis of a sound system of risk management and internal control which was operating effectively.

## Stakeholders

We seek to engage with our stakeholders to strengthen our partnerships with them and enhance our community participation. This is essential, especially during a time when the Bank is focused on rebuilding trust. Forums such as our CEO Advisory Panel, Customer Advocate Community Council and the Indigenous Advisory Council are examples of how the Bank seeks to advance our engagement with external stakeholders. From these engagements, the Bank identifies beneficial outcomes which are in turn disclosed to our stakeholders.

Our approach to stakeholder engagement is guided by the AA1000 Accountability Stakeholder Engagement Standard and our Stakeholder Engagement Approach.

Further detail on our stakeholder engagement is available on page 70 of the 2019 Annual Report.



## Customers

We engage with our customers through customer feedback, surveys and workshops, customer representative bodies, complaint channels and external dispute resolution bodies.

Our Customer Advocate function strengthens the Bank's accountability for fair customer outcomes and offers a more customer-oriented approach. Since 2016, this function has undertaken important work to help us deliver fair customer outcomes by:

- removing barriers to banking that stand in the way of financial inclusion;
- finding and fixing issues that might have a negative impact on customers;
- providing a helping hand to customers through various initiatives and programs (including protecting against financial abuse, supporting mental health, providing opportunities for mentoring and internships, and responding to the needs of minority communities); and
- building better bankers by improving customer advocacy capability and decision making.

Additional information on the Customer Advocate function is available on page 25 of the 2019 Annual Report, on our [website](https://www.commbank.com.au/about-us/who-we-are/customer-commitment/customer-advocate) at [commbank.com.au/about-us/who-we-are/customer-commitment/customer-advocate](https://www.commbank.com.au/about-us/who-we-are/customer-commitment/customer-advocate), and 1800 832 806 (Monday to Friday 8.30am – 5:00pm AEST).

## Community

To deliver sustainable outcomes and financial wellbeing for our stakeholders, first we must understand the expectations of the communities in which we operate.

We engage with members of the community and community organisations through a variety of channels. For example, we participate in community events and forums, are members of industry associations and meet with Non-Governmental Organisations. The insights we gain in the process of our engagement help us continuously improve our products and services in light of evolving community expectations.

Through the CommBank Foundation we offer our people the opportunity to participate in one of Australia's largest workplace giving programs. During the financial year, the CommBank Foundation provided over \$3.7 million to eligible community organisations, and raised over \$2 million for cancer research.

## Our People

The Remuneration Committee has been re-named to the People & Remuneration Committee with its duties expanded to specifically include people matters. A copy of the Charter is available on our [website](http://commbank.com.au/corporate-governance) at [commbank.com.au/corporate-governance](http://commbank.com.au/corporate-governance)

The Bank is committed to:

- building a more inclusive and diverse culture;
- supporting flexible work practices;
- providing our people, regardless of gender or sexual orientation, with access to paid leave and other support to assist them with caring and family responsibilities; and
- rewarding our people responsibly.

## Building a Diverse and Inclusive Culture

Our Global Diversity & Inclusion Strategy seeks to build an inclusive culture that embraces the diversity of our people and creates a sense of connection and belonging. This strategy is built on actions taken to learn from the experiences of our people and customers, to build understanding and to ensure fair and inclusive decision-making. This includes listening sessions to understand the employee and customer experience, embedding fair and equitable people related processes and, regularly measuring ourselves and reporting against our objectives.

Whilst the Bank's results demonstrate that we are well positioned to understand and respond to the needs of our customers and communities, we know there's more

work to be done to improve the diversity of our leadership teams.



## Gender Diversity

The measurable objectives for gender diversity in the composition of the Board, senior executives and the workforce will be considered and recommended by the People & Remuneration Committee, and approved by the Board. Our progress towards achieving those objectives are:

Roles to be held by women by 2020	Progress as at 30 June 2018	Progress as at 30 June 2019
40% of Board	40.0%	50.0%
40% of Executive Managers <sup>1</sup> and above <sup>2</sup>	37.6%	39.1%
45% of Manager <sup>3</sup> and above roles	44.6%	45.0%

Women represent 57.2% of the Group's workforce<sup>4</sup> and 22.2% of the Senior Leadership (Group Executives).<sup>5</sup>

<sup>1</sup> The percentage of roles at the level of Executive Manager and above filled by women, in relation to the total headcount at these levels as at 30 June. Headcount captures permanent headcount (full-time, part-time, job share, on extended leave), and contractors (fixed term arrangements) paid directly by the Group, including AHL and excluding ASB.

<sup>2</sup> For the purposes of diversity metrics, gender targets set by the Board in relation to Senior Executives is defined as Executive Manager and above.

<sup>3</sup> The percentage of roles that are filled by women at the level of Manager and above (including Branch Managers), in relation to the total headcount at this level as at 30 June. Headcount captures permanent headcount (full-time, part-time, job share, on extended leave), and contractors (fixed term arrangements) paid directly by the Group, including AHL and excluding ASB.

<sup>4</sup> The percentage of roles filled by women, in relation to the total headcount as at 30 June for the Group. Headcount captures permanent headcount (full-time, part-time, job-share, on extended leave), and contractors (fixed term arrangements) paid directly by the Group, including AHL and excluding ASB.

<sup>5</sup> The percentage of roles that are filled by women who are current executives as at 30 June. These roles are direct reports of the CEO with authority and responsibility for planning, directing and controlling CBA's activities. This excludes ASB. For a list of current executives, please refer to the 2019 Annual Report pages 74 & 75



## Cultural Diversity

The Board sets the measureable objectives for cultural diversity. Our progress is measured through our Cultural Diversity Index (CDI) and reported in our Annual Report. Details on the CDI can be found in the 2019 Annual Report on page 302 and the methodology can be found on page 310.

## Employee Networks

Our employee-led networks foster inclusion and inform solutions for our people and our customers, and include: WeCAN (gender equality), Advantage (life-stage and age), Yana Budjari (Aboriginal and Torres Strait Islander peoples and cultures), Unity (sexual orientation and gender identity), Mosaic (cultural diversity), and Enable (accessibility and inclusion for people with a disability).

For more on the Bank's approach to diversity and inclusion, refer page 32 of the 2019 Annual Report.

## Flexible Work Practices

We believe that flexible working practices, when leveraged as a strategic tool to improve business outcomes and employee wellbeing, can strengthen a performance culture.

Through our iCANFlex program the Bank provides tools that enable our people to work in a way that makes sense for them and our business. iCanFlex encourages our people to adopt flexible working practices, supporting them to adjust how, when, and where they work to deliver better outcomes for themselves, our customers and the business.

73.9%<sup>6</sup> of the Group's people work flexibly which is consistent with last year.



## Supporting Working Parents

We recognise that the sharing of caring responsibilities for families promotes workforce participation. With this in mind, we have been working to ensure that our approach to parental leave and support for carer's is gender inclusive, particularly to improve men's access to parental leave.

We offer gender neutral paid parental leave entitlements with up to 52 weeks superannuation

<sup>6</sup> The proportion of CBA employees that indicated that they used flexible work options in the last 12 months by nominating one, or more than one, of the flexible work options in the Group's annual people and culture survey. Note this survey question was updated in the 2017 financial year. The result captures the responses of CBA employees only, excluding Bankwest, CFSGAM, ASB, Indonesia, Vietnam and China.

payments for primary carers, 12 weeks paid parental leave and a return-to-work payment.

We have a continued increase in men accessing parental leave and, in the 2019 financial year, 38.3%<sup>7</sup> of employees who commenced a period of parental leave were men.

A copy of our WGEA reports<sup>8</sup> can be found on our [website](http://www.commbank.com.au/about-us/opportunity-initiatives/opportunity-from-good-business-practice/commitment-to-diversity) at [commbank.com.au/about-us/opportunity-initiatives/opportunity-from-good-business-practice/commitment-to-diversity](http://www.commbank.com.au/about-us/opportunity-initiatives/opportunity-from-good-business-practice/commitment-to-diversity)

## Remuneration

The People & Remuneration Committee assists the Board discharge its responsibilities on matters relating to the Group's people and remuneration strategies, Group Remuneration Policy, remuneration arrangements for Non-Executive Directors, the CEO and his direct reports, and 'accountable persons' under the BEAR, variable remuneration plans and performance management and recognition frameworks.

For more information on the Bank's remuneration arrangements refer to the Remuneration Report on pages 82 to 107 of the 2019 Annual Report.

During the year, the Board evaluated the CEO's performance, and his assessment of the Group Executives' performance<sup>9</sup>. The basis on which individuals' performance was evaluated, and remuneration outcomes determined, is summarised in the Remuneration Report.

The CEO and other senior executives have written agreements setting out their employment terms. Appropriate background checks are undertaken prior to appointing senior executives, including fit and proper assessments for persons appointed to a 'responsible person' role, as outlined on page 4.

## Gender Pay Equity

We continue to have a minimal pay gap between what we pay men and women in similar roles, as reported on page 301 of the 2019 Annual Report. Over the 2019 financial year, gender pay equity improved for some levels of employees, including Executive General Managers, Managers and team members, and declined slightly for General Managers and Executive Managers. We review pay equity throughout the year and as part of the annual remuneration review process.

<sup>7</sup> This metric represents the proportion of male employees who commenced a period of parental leave in the 2019 financial year, compared to all employees who commenced parental leave during the same period. This excludes AHL and ASB.

<sup>8</sup> As reported in our WGEA 2019 public reports for Commonwealth Bank Australia, Commonwealth Securities, Commonwealth Insurance, Colonial Services and Bankwest, but excluding AHL.

<sup>9</sup> The ASB Board assessed the performance of the CEO ASB.

## Shareholders

The Bank seeks to provide shareholders with information that is timely, of high quality and relevant to their investment. The Bank is committed to listening and responding to shareholder queries and feedback and a dedicated telephone number and email address are provided on the Investor Centre on our [website](http://commbank.com.au/investors) at [commbank.com.au/investors](http://commbank.com.au/investors)

The Bank's investor relations program facilitates two-way communication between the Bank and shareholders, and fosters participation at shareholder meetings. The program incorporates a number of ways in which shareholders can access information and provide feedback.

Information for shareholders is made available via our Investor Centre and updates are provided to shareholders via communications such as our Annual Report, Notice of Meeting and Letter to Shareholders. Additional information about the Bank's corporate governance is available on our [website](http://commbank.com.au/corporate-governance) at [commbank.com.au/corporate-governance](http://commbank.com.au/corporate-governance)

## Corporate Reporting

The Audit Committee assists the Board discharge its responsibilities on matters relating to the external reporting of financial information for the Group.

The Group's Policy on Publicly Issued Documents and Marketing Materials establishes the principles for an approval process for public documents including periodic corporate reports such as the Annual Report, profit announcements, quarterly trading updates and Pillar 3 reports. The policy seeks to ensure:

- the information included in the relevant document is not considered to be inaccurate, false, misleading or deceptive;
- that there are no material omissions;
- compliance with relevant legislation, regulations, and industry codes and standards;
- a heightened degree of verification of certain category of documents; and
- that appropriate approvals are obtained for publically issued document and marketing material.

Under the policy, periodic corporate reports require a verification schedule as a means of verifying the accuracy and completeness of the content. The verification schedule allocates the statements within the relevant document to a responsible person, and records the sign-off of that person against the principles stated above. The verification is then provided to an appropriate approver to sign off on the accuracy and completeness of the information.

The CEO and CFO also provide the Board with written declarations in relation to the half-year and full-year financial statements, as described on page 6 of this Statement.

## Disclosure

All market sensitive information is released to the ASX in compliance with the Bank's continuous disclosure obligations under the Corporations Act and the ASX Listing Rules.

The Bank has a written policy for complying with its disclosure obligations. The Group Continuous Disclosure Policy was reviewed and updated in March 2019 and is available on our website at [commbank.com.au/corporate-governance](http://commbank.com.au/corporate-governance)

Subject to the matters reserved for Board approval, the Disclosure Committee is responsible for determining whether an announcement is released to ASX, or any other foreign securities exchange, and approving the form of the announcement.

The Bank releases copies of new and substantive investor or analyst presentation materials to the ASX ahead of the presentation being given.

The Board receives copies of all material market announcements after release.

In addition, the Bank posts all material information released to the ASX and webcasts important market briefings via the Investor Centre.

## Annual General Meeting

The Bank recognises the importance of shareholder participation at our AGM. Shareholders are encouraged to attend and participate. The location of the Bank's AGM is held in different locations to facilitate shareholder attendance.

The Bank also encourages shareholders to submit questions ahead of the AGM. Over 930 shareholder questions were received in advance of the 2018 AGM, providing useful insights into shareholder concerns, enabling the Bank to provide relevant feedback at the meeting on consistent themes raised.

The Bank offers direct voting, allowing shareholders who are unable to attend the AGM to vote on resolutions without needing to appoint a proxy to attend or vote on their behalf. Additionally, the AGM is webcast live, enabling shareholders who are unable to attend the AGM in person, to view the AGM online.

It is the Bank's practice to conduct voting on all resolutions by poll.

## Electronic Communications

Shareholders are encouraged to provide the Bank's share registry, Link Market Services, with their email addresses, so that the Bank may communicate important information electronically. Link Market Service's contact details are provided on [website](http://commbank.com.au/investors) at [commbank.com.au/investors](http://commbank.com.au/investors)

## Roles and Responsibilities

The Board and Board Committee charters were reviewed throughout the year to clarify the roles, responsibilities and accountabilities of the Board and Board Committees.

Summaries of the roles and responsibilities of the Board, the Chairman, the Board Committees and the CEO are:

### The Board

- approves the strategic, business and financial plans to be implemented by management;
- oversees the Group's Risk Framework and its operation by management;
- sets the Group's risk appetite, within which the Board expects management to operate, and approves the RAS;
- monitors the culture of the Group (including by forming a view on risk culture) and monitoring any management action plans to strengthen the desired organisational culture;
- oversees the Group's efforts to improve the experience and outcomes of the Bank's customers;
- approves the Group's half and full-year financial statements and reports, and the half and full-year financial reports, and quarterly trading updates;
- approves capital expenditure for investments and divestments, and operational expenditure that exceed limits delegated to the CEO;
- considers the social, ethical and environmental impact of the Group's activities; and approves corporate responsibility and climate related disclosures;
- assesses the performance and succession planning of the CEO and the direct reports of the CEO;
- approves the suitability of a proposed Director to be registered as an 'accountable person'; and
- approves the remuneration arrangements and outcomes for the CEO, the direct reports to the CEO or as required by regulators or relevant Group policies, following an assessment of performance and risk behaviours.

The Board charter is available on our [website](http://commbank.com.au/corporate-governance) at [commbank.com.au/corporate-governance](http://commbank.com.au/corporate-governance)

### The Chairman

- represents the views of the Board and the Bank to stakeholders, including shareholders, regulators and the community;
- fosters an open, inclusive and, where appropriate, challenging discussion by the Board;
- maintains a regular dialogue with the CEO and management, serving as the primary link between the Board and management;

- liaises with the CEO in relation to the Board's information requirements to assist the Board with effective decision making; and
- sets the agenda together with the CEO and the Group Company Secretary, ensuring that appropriate time and attention is devoted to matters within the responsibilities of the Board.

### Board Committees

The Board has four principal Committees that assist it in carrying out its responsibilities. These are the:

- Audit Committee;
- Nominations Committee;
- People & Remuneration Committee; and
- Risk Committee.

The roles, responsibilities and composition requirements of the Committees are detailed in Board-approved charters and summarised in the following table. The charters are available on our [website](http://commbank.com.au/corporate-governance) at [commbank.com.au/corporate-governance](http://commbank.com.au/corporate-governance)

From time to time, other special Committees are convened to assist the Board with particular matters or to exercise a delegated authority of the Board.

All Directors have access to Committee papers, may attend Committee meetings and receive minutes of Committee meetings even if they are not a member of the relevant Committee. Committee Chairs provide verbal reports on Committee business at the next relevant Board meeting.

### The CEO

- implements the strategic, business and financial objectives and/or plans of the Bank and instilling the Group's Code;
- analyses the impact on strategic objectives and financial position when allocating the Bank's resources or capital; approving expenditure; or making financial decisions;
- assesses reputational consequences of decisions or actions taken by the Bank;
- implements processes, policies and systems together with appropriate controls to effectively manage the operations and risk of the Group; and
- ensures the timely preparation, presentation, adequacy and integrity of information provided to the Board, to enable the Board to carry out its responsibilities.

### Company Secretaries

The Board has appointed two Company Secretaries, whose qualifications, experience and other details are set out on page 81 of the 2019 Annual Report. Full biographies are available on our [website](http://commbank.com.au/about-us/our-company) at [commbank.com.au/about-us/our-company](http://commbank.com.au/about-us/our-company). The Group Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

All Directors have access to both Company Secretaries.

# 2019 Corporate Governance Statement

Audit Committee	Nominations Committee	People & Remuneration Committee	Risk Committee <sup>10</sup>
<p>Assists the Board on matters relating to:</p> <ul style="list-style-type: none"> <li>external reporting of financial information for the Group;</li> <li>the internal control framework for the Group;</li> <li>the Group Internal Auditor, internal audit function and External Auditor; and</li> <li>the Group's Risk Framework, in conjunction with the Risk Committee.</li> </ul>	<p>Assists the Board on matters relating to:</p> <ul style="list-style-type: none"> <li>Board and Board Committee composition and performance review processes;</li> <li>appointment, election and re-election of Non-Executive Directors (<b>NEDs</b>);</li> <li>Director induction independence assessments;</li> <li>succession planning for, and performance of the CEO and CEO's direct reports;</li> <li>diversity policies of the Board and certain subsidiary boards; and</li> <li>governance framework and policies for key operating subsidiary board appointments and performance.</li> </ul>	<p>Assists the Board on matters relating to:</p> <ul style="list-style-type: none"> <li>people and remuneration strategies and the Group Remuneration Policy;</li> <li>remuneration arrangements for NEDs of the Board and certain related companies, the CEO, senior direct reports to the CEO, 'accountable persons' under the BEAR and other individuals described in the Committee charter;</li> <li>variable remuneration budgets and plans;</li> <li>Group-wide recognition programs;</li> <li>performance management frameworks;</li> <li>benefits of material value to employees;</li> <li>employee equity plans, superannuation and pension arrangements;</li> <li>employee relations strategy, engagement and talent management;</li> <li>diversity and inclusion;</li> <li>organisational culture; and</li> <li>remuneration disclosures.</li> </ul>	<p>Assists the Board on matters relating to:</p> <ul style="list-style-type: none"> <li>oversight and governance of risks impacting the Group;</li> <li>design, implementation and operation of the Risk Framework and RMA;</li> <li>monitoring risk appetite and assessing risk profile within material risk types;</li> <li>the Group's Risk Management function; and</li> <li>risk culture.</li> </ul>
<p>Must:*</p> <ul style="list-style-type: none"> <li>have at least three independent NEDs; and</li> <li>include the Risk Committee Chairman.</li> </ul>	<p>Must:*</p> <ul style="list-style-type: none"> <li>have at least three independent NEDs; and</li> <li>be chaired by the Board Chairman.</li> </ul>	<p>Must:*</p> <ul style="list-style-type: none"> <li>have at least four independent NEDs; and</li> <li>include a Risk Committee member.</li> </ul>	<p>Must:*</p> <ul style="list-style-type: none"> <li>have at least four independent NEDs; and</li> <li>include the Audit Committee Chairman and a People &amp; Remuneration Committee member.</li> </ul>
<p>Members as at the date of the report:</p> <ul style="list-style-type: none"> <li>Anne Templeman-Jones<sup>11</sup> (Chairman)</li> <li>Shirish Apte</li> <li>Catherine Livingstone AO</li> <li>Wendy Stops</li> </ul>	<p>Members as at the date of the report:</p> <ul style="list-style-type: none"> <li>Catherine Livingstone AO (Chairman)</li> <li>Paul O'Malley<sup>12</sup></li> <li>Mary Padbury</li> <li>Robert Whitfield</li> </ul>	<p>Members as at the date of the report:</p> <ul style="list-style-type: none"> <li>Sir David Higgins (Chairman)</li> <li>Catherine Livingstone AO</li> <li>Paul O'Malley<sup>13</sup></li> <li>Mary Padbury</li> <li>Wendy Stops</li> </ul>	<p>Members as at the date of the report:</p> <ul style="list-style-type: none"> <li>Shirish Apte (Chairman)</li> <li>Sir David Higgins</li> <li>Catherine Livingstone AO</li> <li>Anne Templeman-Jones<sup>14</sup></li> <li>Robert Whitfield</li> </ul>

\* All Board Committees are chaired by an independent Non-Executive Director.

<sup>10</sup> The Group CEO, Chief Risk Officer (**CRO**), CFO and Group Internal Auditor may attend all Committee meetings. The Committee meets periodically with the CRO and Executive General Manager Compliance, with only Directors present.

<sup>11</sup> Appointed Chairman 1 October 2018.

<sup>12</sup> Appointed 1 June 2019.

<sup>13</sup> Appointed 1 June 2019.

<sup>14</sup> Appointed 1 October 2018.

# 2019 Corporate Governance Statement

## Board Effectiveness

The Board is committed to renewal and to continually improving its practices so that it can effectively discharge its role and responsibilities. An overview of the Board's composition and key corporate governance practices follows.

## Board Members

The Bank's Directors for some or all of the 2019 financial year follow.

Current Directors	Appointed	Length of Service <sup>15</sup>
Catherine Livingstone AO <sup>16</sup>	March 2016	3 years 5 months
Matt Comyn (CEO)	April 2018	1 year 4 months
Shirish Apte	June 2014	5 years 2 months
Sir David Higgins	September 2014	4 years 11 months
Mary Padbury	June 2016	3 years 2 months
Wendy Stops	March 2015	4 years 5 months
Anne Templeman-Jones	March 2018	1 year 5 months
Robert Whitfield	September 2017	1 year 11 months
Professor Genevieve Bell	January 2019	7 months
Paul O'Malley	January 2019	7 months
Former Directors	Appointed	Retired
Brian Long	2010	2018
Andrew Mohl	2008	2018

As at the date of this Statement, the Board comprised nine independent Non-Executive Directors and the CEO.

Details of the current Directors' experience, qualifications, special responsibilities (including Committee memberships) and dates of appointment are set out on pages 66 & 67 of the 2019 Annual Report.

## Board Composition

The Board's approach to its composition and renewal emphasises the need for:

- relevant skills, expertise and experience: The Board seeks to have an appropriate mix of skills, expertise and experience to address existing and emerging business and governance issues, to enable Directors to operate effectively.

- independence: The Board considers that all of its Non-Executive Directors, including the Chairman, were independent during the 2019 financial year and continue to be independent as at the date of this Statement.

The Board has adopted Independence Standards to assess whether a Director qualifies as an independent Non-Executive Director upon appointment, and to assess the ongoing independence of Non-Executive Directors.

Each Non-Executive Director must disclose all Interests<sup>17</sup> that may affect the exercise of their unfettered and independent judgment as a Director prior to their appointment or election, and promptly as and when circumstances change.

Disclosure extends to include relevant Interests of close family ties, such as spouses and family companies.

The Nominations Committee assesses the independence of each Director candidate and Non-Executive Director against the Independence Standards based on their disclosure of Interests and, in the case of a Non-Executive Director on the annual declaration.

In accordance with those Independence Standards, the Board considers a Non-Executive Director to be independent where they are independent of management and free of any Interests that could materially interfere (or could reasonably be perceived to interfere) with the exercise of unfettered and independent judgement, and ability to act in the best interests of the Bank as a whole rather than in the interests of an individual security holder or other party.

- diversity: The Directors on the Board represent a range of ages, nationalities and backgrounds. Gender diversity is a priority, with the Board setting a gender diversity objective of 40% female representation by the end of 2020. The Board first met this objective in 2017 and, in 2019 achieved gender equity of 50% male, and 50% female representation.



<sup>15</sup> As at the date of this document

<sup>16</sup> Chairman from 1 January 2017

<sup>17</sup> Material contracts, interests, positions, associations and relationships

# 2019 Corporate Governance Statement

- tenure: The Board balances longer-serving Directors with a deep knowledge of the Bank's operations and history, and newer Directors all with fresh perspectives.

## Tenure as at 30 June 2019



The Board's Corporate Governance Guidelines provide that any Director with a material personal interest in a matter being considered by the Board or a Board Committee will not:

- receive a copy of any paper dealing with the matter (or may receive a redacted version of the paper);
- be present when the matter is being discussed; or
- vote on the matter.

## Board Renewal

The Board has succession plans to facilitate the orderly transition of Directors. Andrew Mohl retired at the conclusion of the 2018 AGM, and Brian Long retired on 31 December 2018.

In anticipation of Brian Long's retirement, Anne Templeman-Jones was appointed Chairman of the Audit Committee and a member of the Risk Committee on 1 October 2018.

Professor Genevieve Bell and Paul O'Malley were appointed Non-Executive Directors on 1 January 2019. Genevieve's knowledge and understanding of technology in society and business has brought a unique and valuable perspective to the Board. Paul's broad operational and finance experience, as well as his experience in business leadership, has brought a strategic perspective to the Board.

Paul O'Malley was appointed a member of the Remuneration Committee and the Nominations

Committee effective 1 June 2019. Paul will commence as Chairman of the renamed People & Remuneration Committee from 1 January 2020 following Sir David Higgins' retirement on 31 December 2019.

The Board uses a Skills Matrix (**Matrix**) which sets out the desired skills and experience considered important for the effectiveness of the Board. It is reviewed annually to ensure it reflects the appropriate mix of skills, expertise and experience required to address existing and emerging business and governance issues, and enable Directors to effectively review the performance of management.

As a result of this year's review, 'Enhanced customer outcomes' was added to the Matrix. This competency is considered important for Directors to oversee the Bank's efforts to improve the experience and outcomes of our customers through:

- increasing the voice of the customer in Board deliberations;
- ensuring regular reporting of customer complaints, insights, and management's actions in response;
- overseeing CBA conduct risk in relation to customer outcomes; and
- ensuring speed of customer remediation where failures have occurred.

This year, each Director completed a questionnaire rating their skills, expertise and experience from 0 to 3 for each competency (0 = no experience, 1 = awareness, 2 = practiced/direct experience and 3 = high competency, knowledge and experience). The self-assessment ratings were subsequently calibrated with these results reviewed by the Nominations Committee and approved by the Board. The Matrix can be found on page 14.

Individual matrices have also been developed for the Audit Committee, People & Remuneration Committee and Risk Committee.

## Director Appointment and Re-Election

The Board, with the assistance of the Nominations Committee, conducts a formal selection process when appointing new Non-Executive Directors. An executive search firm is engaged, as required, to identify a suitable range of candidates that have the relevant skills and experience being sought. In assessing candidates, the Board seeks to ensure that an appropriate mix of skills, experience and diversity is maintained or achieved to allow the effective contribution to Board deliberations and processes and assesses candidates against the Board's Director Appointment Criteria which are set out in a Board Appointment, Renewal and Performance Policy.

The Bank undertakes appropriate checks before appointing a person as a Non-Executive Director or recommending that person to the Bank's

# 2019 Corporate Governance Statement

shareholders as a Non-Executive Director. Those checks include criminal record and bankruptcy checks, and checks of the person's educational qualifications and employment history. In addition, as all Non-Executive Directors are considered 'responsible persons' by APRA, they must be assessed in accordance with the Group's Fit and Proper Policy before commencing as a Non-Executive Director and thereafter on an annual basis. Further, Non-Executive Directors are registered by the Bank with APRA as 'accountable persons', as required under the BEAR.

Each Non-Executive Director receives a letter setting out the terms of their appointment.

All persons appointed as Non-Executive Directors of the Bank must stand for election at the next AGM following their appointment. In addition, Non-Executive Directors must stand for re-election such

that at each AGM one third of Directors (excluding the CEO and any Directors appointed since the previous AGM) must retire.

Board support for a Director's election or re-election is subject to the Board performance review outcomes and any other matters the Board considers relevant.

The Board will provide shareholders full and fair disclosure of all material information relevant for a shareholder to make a properly informed decision to elect a Director at an AGM, including a recommendation on that Director's election.

## Board skills matrix

■ Practiced skill/direct experience (number of Directors) ■ High competency, knowledge and experience (number of Directors)



## Director Induction and Continuing Development

Non-Executive Directors joining the Board are given a copy of the Board's Corporate Governance Guidelines, which outline the key corporate governance principles and policies, and operational procedures and practices relevant to the Board in governing the Group.

All newly appointed Non-Executive Directors participate in an induction program approved by the Nominations Committee. The induction program includes briefings from the CEO and Executive Leadership Team together with senior leaders of the Group's business and support units, the Group Internal Auditor and external audit firm's lead audit partner.

The induction program covers a range of topics, including:

- a presentation from key business units including Retail Banking, Business and Private Banking, Institutional Banking and Markets, ASB, and Enterprise Services;
- the Corporate Governance Framework and associated obligations;
- the Bank's legal framework;
- regulatory obligations;
- Risk Framework (including financial and non-financial risks) and the Better Risk Outcomes Program;
- Financial Services and audit; and
- Human Resources (including health and safety and executive remuneration).

Non-Executive Directors also attend the Bank's Innovation Lab located in Sydney CBD, where the Bank partners with start-ups, other corporate organisations, and the broader community to run innovation experiments to turn new ideas into products and services for our customers.

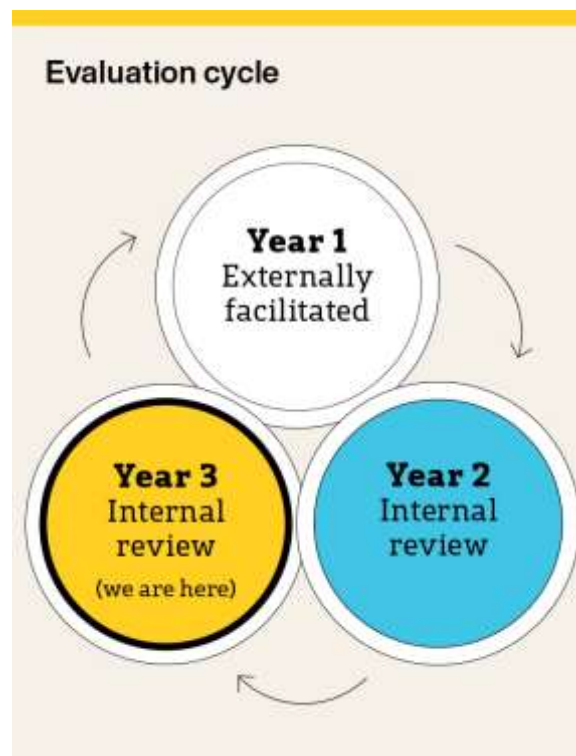
The Board has a continuing education program for Non-Executive Directors to ensure they are provided opportunities to develop and maintain the skills and knowledge required to perform their role at the Bank effectively.

The Board completed a number of education sessions during the 2019 financial year. Directors gained insight and a deeper knowledge of the business including risk management, customer engagement, regulatory changes, product development, and received an externally presented economic update. The Directors also received training on updated Board approved policies including the Code, Continuous Disclosure, as well as Directors' duties. Additionally, the Board visited the Group's Operations Centre in Parramatta and the ASB operations in New Zealand.

## Performance Evaluation

Performance evaluations are externally facilitated every three years, or as otherwise determined by the

Board. In the intervening years, an internal evaluation is conducted. The next external evaluation is scheduled for 2020.



The Board has been evaluating its performance throughout the 2019 financial year, having regard to the focus areas identified as a result of the 2018 performance evaluation, implementation of the BEAR and the governance recommendations in the Inquiry Report.

The Board commenced an internal evaluation in May to formally assess its performance, and the performance of each Board Committee. The process was led by the Chairman of the Board with the support of the Group Company Secretary. The internal evaluation process was expanded this year, to include a series of questions designed to assess whether the Board:

- continues to have heightened visibility of conduct, culture and reputation within the Bank;
- has promoted a clear tone from the top in both clear and consistent messaging and actions;
- has an effective working relationship with, and engages in regular constructive discussions with management;
- effectively inducts, and provides sufficient professional development opportunities to Directors to ensure it has the right balance of skills and expertise;
- is receiving adequate reporting for effective decision making; and
- demonstrates rigour and urgency in respect of key issues and closure of control weaknesses.

Feedback was also sought from the Executive Leadership Team.



The Chairman held individual meetings with each Director to discuss their evaluation responses, as well as their individual performance throughout the year. The Chairman was assessed by a Non-Executive Director. The outcomes of the internal performance evaluation were provided to the Board in June and the findings discussed in August.

The evaluation concluded that the performance of the Board and its Board Committees was effective for the year under review.

The Board agreed to the following four areas of focus for the 2020 financial year:

- the working relationship between the Board and management;
- culture including customer outcomes, conduct, compliance and reputation;
- longer-term strategy including the impact of emerging technology and innovation; and
- enhanced Board reporting and processes.

## **Board Access to Information and Independent Advice**

The Board has free and unfettered access to senior management, and any other relevant internal and external party and information, and may make any enquiries to fulfil its responsibilities.

Directors may obtain independent advice at the Bank's expense, including by engaging and receiving advice and recommendations from appropriate independent experts. Where independent advice is sought at the Bank's expense, the Chairman's prior consent (which must not be unreasonably withheld) must be sought. The fee payable to the adviser must be reasonable in the circumstances and notified to the Chairman before the adviser is formally engaged.

## **Board and Board Committee Meetings**

The number of Board and Board Committee meetings held in the 2019 financial year, and each Director's attendance at those meetings, are set out on page 80 of the 2019 Annual Report.