

ASX Announcement

Commonwealth Bank welcomes APRA appointments

Friday, 8 September 2017 (Sydney): Commonwealth Bank notes today's announcement by the Australian Prudential Regulatory Authority regarding the panel members and terms of reference for APRA's inquiry into the Group's governance, culture and accountability frameworks.

We welcome the appointment of Dr John Laker AO, Professor Graeme Samuel AC and Jillian Broadbent AO and look forward to providing them with our full cooperation.

Further information: APRA's statement follows at the end of this release.

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APRA announces panel members and terms of reference for prudential inquiry into CBA

8 September 2017

The Australian Prudential Regulation Authority (APRA) announced today it has appointed three panel members to conduct the previously announced prudential inquiry into the Commonwealth Bank of Australia (CBA).

On 28 August, APRA announced it would establish a prudential inquiry following a number of issues which have raised concerns regarding the frameworks and practices in relation to the governance, culture and accountability within the CBA group, and have damaged the bank's reputation and public standing.

APRA has appointed Dr John Laker AO, Chairman of the Banking and Finance Oath, Professor Graeme Samuel AC, Professorial Fellow in the Monash Business School, and company director Jillian Broadbent AO to undertake the inquiry.

As previously announced, the goal of the inquiry is to identify any shortcomings in the governance, culture and accountability frameworks and practices within CBA, and make recommendations as to how they are promptly and adequately addressed. It would include, at a minimum, considering whether the group's organisational structure, governance, financial objectives, remuneration and accountability frameworks are conflicting with sound risk management and compliance outcomes. The full terms of reference for the prudential inquiry, along with biographies of the panel members, is attached to this announcement.

The inquiry panel will be provided with support by APRA, and may obtain other external expertise and advice as it sees fit. The inquiry panel will provide a final report to APRA by 30 April 2018, with a progress report due on 31 January 2018. APRA intends to make these reports public.

APRA Chairman Wayne Byres said: "APRA is pleased to have secured the services of three highly experienced and credentialed panel members to conduct the prudential inquiry. Between them, John, Graeme and Jillian bring an excellent blend of skills and experience to the task, including in matters of corporate governance and organisational culture."

The Australian Prudential Regulation Authority (APRA) is the prudential regulator of the financial services industry. It oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance, private health insurers, friendly societies, and most members of the superannuation industry. APRA currently supervises institutions holding \$5.9 trillion in assets for Australian depositors, policyholders and superannuation fund members.

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APRA Prudential Inquiry into CBA: Terms of Reference

The purpose of the Prudential Inquiry is to examine the frameworks and practices in relation to governance, culture and accountability within the CBA group, so as:

1. to identify, in light of a number of incidents in recent years that have damaged the reputation and public standing of the CBA group, any core organisational and cultural drivers within CBA that have contributed to these incidents.
2. to assess, at a minimum, whether any of the following areas, or their implementation, are conflicting with sound risk management and compliance outcomes:
 - a. the group's organisational structure, governance framework, and culture;
 - b. the group's framework for delegating risk management and compliance responsibilities;
 - c. the group's financial objectives;
 - d. the group's remuneration frameworks;
 - e. the group's accountability framework; and
 - f. the group's framework for identification, escalation and addressing matters of concern raised by CBA staff, regulators or customers.
3. to consider, where CBA has initiatives underway to enhance the areas reviewed under (1) and (2) above, whether these initiatives will be sufficient to respond to any shortcomings identified and, if not, to recommend what other initiatives or remedial actions need to be undertaken.
4. to recommend, to the extent that there are other shortcomings or deficiencies identified under (1) and (2) above that are not already being addressed by CBA, how such issues should be rectified.

The Prudential Inquiry should not make specific determinations regarding matters currently the subject of legal proceedings, other regulatory reviews or investigations by regulators other than APRA, or customers' individual cases.

The Inquiry Panel appointed to conduct the Inquiry will submit a progress report to APRA by 31 January 2018, and a final report by 30 April 2018.

APRA prudential inquiry panel members

Ms Jillian Broadbent AO

Ms Broadbent has had extensive experience in risk management and governance, through her executive career in banking and as a non-executive director.

Ms Broadbent serves on the board of Woolworths Limited, is Chair of the board of Swiss Re Life and Health Australia Limited and Chancellor of the University of Wollongong. She was a member of the board of the Reserve Bank of Australia (RBA) from 1998 to 2013. She was also the inaugural Chair of the Clean Energy Finance Corporation (2012 – 2017) and has been a director on the boards of ASX Limited (2010 – 2012), Special Broadcasting Corporation (SBS), Qantas Airways Limited, Westfield Property Trusts, Woodside Petroleum Limited (1998 – 2008) and Coca-Cola Amatil Limited (1999–2010).

In 2003, Ms Broadbent was made an Officer of the Order of Australia for service to economic and financial development in Australia and the community through administrative support for cultural and charitable groups.

Dr John Laker AO

Dr Laker is Chairman of The Banking and Finance Oath Ltd, a member of the Council of the University of Technology Sydney and a Director of Cancer Council NSW. He is also an External Expert for the International Monetary Fund (IMF) and has participated in reviews of banking systems and supervisory arrangements in the United States, Israel, Indonesia, the Euro Area and Spain. Dr Laker is a member of the External Advisory Panel of the Australian Securities and Investments Commission (ASIC). He also lectures at the University of Sydney.

Dr Laker was Chairman of the Australian Prudential Regulation Authority (APRA) over an 11-year period from 1 July 2003 to 30 June 2014. Prior to his appointment to APRA, Dr Laker had an extensive career in the RBA, holding senior positions in the economic, international and financial stability areas, both in Australia and London. Before the RBA, Dr Laker worked in the Commonwealth Treasury and the IMF.

Dr Laker was made an Officer of the Order of Australia in 2008 for services to the regulation of the Australian financial system and to the development and implementation of economic policies nationally and internationally.

Professor Graeme Samuel AC

Graeme Samuel AC is a Professorial Fellow in Monash University's Business School and Chair of the Monash Business School Business Advisory Board. He is also a Councillor of the Australian National University and Chair of its Finance Committee, President of Dementia Australia, Chair of the South Eastern Melbourne Primary Health Network, Chair of Data Governance Australia, Chair of Lorica Health Pty Ltd, a CMCRC company, Chair of Airlines for Australia and New Zealand (A4ANZ), Member of CEDA's Council of Economic Policy, Council Member of the National Health and Medical Research Council and Chair of its Health Innovation Advisory Committee and the National Institute for Dementia Research

Prof Samuel has held a number of roles in public life including former Chairman of the Australian Competition and Consumer Commission, Associate Member of the Australian Communications and Media Authority and President of the National Competition Council.

He was appointed an Officer of the Order of Australia in 1998. In 2010 he was elevated to a

Companion of the Order of Australia for eminent service to public administration through contributions in the area of economic reform and competition law, and to the community through leadership roles with sporting and cultural organisations.