

# Commonwealth Bank

Commonwealth Bank of Australia  
ACN 123 123 124

Secretariat

GPO Box 2719  
Sydney NSW 1155

Telephone (02) 9118 7110  
Facsimile (02) 9118 7192  
Email [margaret.taylor@cba.com.au](mailto:margaret.taylor@cba.com.au)

Margaret Taylor  
Group Company Secretary

12 November 2014

The Manager, Listings  
Australian Securities Exchange  
Company Announcements Office  
Level 4 Exchange Centre  
20 Bridge Street  
Sydney NSW 2000



Dear Sir

## **Annual General Meeting Address**

I attach a copy of the Chairman's Address which will be delivered at the Company's Annual General Meeting today.

Yours sincerely

Margaret Taylor  
**Group Company Secretary**



Our financial results were again strong,

with good profit growth and continued leadership in customer satisfaction, ongoing technological innovation and improving productivity.

For the year to June 2014, Cash Net Profit after Tax increased 12% to \$8.68 billion, and Return on Equity increased 50 basis points to 18.7%.

We again increased the dividend, which is now at a record level.

Last week we released a Trading Update for the September quarter, which indicated that this solid performance continued into this financial year, with Cash profit for the quarter of \$2.3 billion.

Our people remain the key driver of these results: on behalf of the Board, thank you all very much indeed.

Once again, our internal people engagement survey highlighted further good progress this year, reflecting a continually improving environment for people working within the Group.

And we are seeking to complement this with a further programme within the Group focused specifically on issues relating to integrity.

This is to ensure that we have the most relevant information available on the penetration of this and other key values across the Group.

We are continuing to improve our business – with an unrelenting focus on the needs of our customers and investing in technology, and by driving productivity improvements which are increasingly becoming an embedded skill of the Group.

The business continues to be managed prudently, with capital, funding and liquidity levels all remaining strong.

Now I'd like to turn to two key issues in respect of which we have received a number of questions from shareholders and where I really do believe it's important that I explain to you what we've done, and what we've committed to do.

In doing so, let me just say that central to the manner in which the Commonwealth Bank conducts its business are trust and fairness.

Trust and fairness within the Bank, and trust and fairness between the Bank and its customers.

In addition we are determined to uphold our Values – integrity, collaboration, excellence, accountability and service.

Where we've made mistakes and let ourselves and others down, we will continue to do our level best to deal with them openly, honestly, fairly and with integrity.

Let me deal with Financial Planning first.

Those of you who were at last year's AGM will remember that I sincerely apologised for what was clearly unacceptable behaviour by some financial advisers.

This year, we've faced additional public scrutiny as well as appearing at the Senate Inquiry into the performance of ASIC.

We are very sorry indeed that some customers received poor advice in the past.

We know that saying sorry is not enough, and that action is required, and where we've not already made good, we are absolutely committed to doing so.

So let me reiterate what we've done to completely change the business.

- \* we now have one of the most comprehensive staff training programs in the industry, one which continues to be improved;
- \* we have continually uplifted the training and qualifications needed to be a financial planner with the Bank;
- \* we have mandated Industry association membership for all our planners by mid 2015;
- \* we have also extended this standard to staff who directly supervise our financial planners;
- \* we have new systems and processes, with far more rigorous controls and better document management;
- \* we are fostering an inclusive and engaged culture that is both open and transparent;
- \* we've completely changed the remuneration structure, with our people now recognised and rewarded for improving the satisfaction of our customers by understanding their needs objectively.

In the past twelve months however, it was clear that a number of stakeholders thought that we hadn't done enough, and we therefore committed ourselves to doing more:

We established our Open Advice Review program.

The program demonstrates our commitment to make it right for customers who have any concerns regarding financial planning advice received.

It is a program in which the Bank will not be the arbiter of what is just.

That is the role of the layers of independent experts and third party advocates we have appointed to act in the best interest of those who have been wronged.

It's open to any Commonwealth Financial Planning and Financial Wisdom customer who has any concern about the advice they have received between 1 September 2003 and 1 July 2012.

The program provides an assessment of the advice received: with access to an independent customer advocate and an independent review panel of three distinguished former judges.

The program is fully transparent to customers and is reported on independently.

Once a case is completed, only the Bank is bound by the outcome.

And the customer still has his or her rights under the law.

It has always been our intention to make it right for our customers and to put them back in the position they would have been had they received the right advice.

We have placed extensive advertising of the program in the media and will also be contacting customers as part of our half year mailing to ensure that as many people as possible are aware of it.

We noted in October, the Open Advice Review program had received registrations from approximately 4,200 customers seeking review as part of the program since it was announced on 3 July 2014, and since then it has continued to increase.

Again, in response to this issue, I believe we've acted with integrity, determination and, given the complexity of the process, vigour.

We are getting on with the task and will complete it.

Now let me move to my second theme which relates to the environment.

Let me start by saying that there should be no doubt as to the Bank's commitment to responsible environmental practices and

Ian will be referring to it again in a minute.

You will see that a resolution is before the meeting in relation to the disclosure of greenhouse gas emissions by the customers we finance.  
I'd like to make a few points in relation to this and more generally.

As a major provider of financial advisory and lending services, we know that we play a role in enabling economic and social development throughout this country.

We also recognise our role in addressing the challenge of climate change.

And it's important that we take a responsible, measured and balanced approach.

Let me share with you some of the things we've already done, are doing, and have committed to do.

In terms of the Bank's performance, for the second year in a row, the Group was awarded the highest ranking Australian bank listed in the Carbon Disclosure Project Global Index.

Your company achieved an overall disclosure score of 100/100 and an 'A band' for climate performance.

We are the only company in Australia and New Zealand to achieve these two milestones.

We also remain fully committed to supporting projects in the renewable energy sector.

To give you a sense of the nature of these projects, the Bank has exposure to six operating onshore wind farms in Australia, one clean energy landfill gas plant and a development wind farm off the coast of the Netherlands.

We also have exposure to a number of other renewable assets which arises from corporate facilities to integrated energy companies.

Subject to appropriate due diligence, we are very open to continuing to focus on opportunities to support the renewable energy sector.

Following our commitment to the Equator Principles III in May:

- they are embedded in our project finance and advisory businesses, and
- we have started to apply them to all of our business lending.

For corporate and business lending, we believe that categorising ESG risks on a loan by loan basis is leading practice among commercial banks.

This framework ensures that environmental and social due diligence is commensurate with the nature and scale of any potential environmental and social impacts.

Our customers' capability and motivation to manage and mitigate these ESG risks are also evaluated.

The 9 Principles underpin our ESG Lending Commitments.

They provide clear guidance on our approach to assessing and managing ESG risks and opportunities associated with our lending activities, particularly in high impact and sensitive sectors.

We have committed to a number of public disclosures to provide our shareholders with more information on our lending.

This disclosure will be in three phases starting in February 2015, with disclosure of carbon emissions from exposure to the energy sector in project finance, and finishing in February 2016 with disclosure of carbon emissions from the entire business lending portfolio, focused on larger entities.

We will of course strive to complete the program quicker than this if we possibly can.

We will seek to carry out these assessments in accordance with best practice guidance (for example Greenhouse Gas Protocol).

I want to be very clear that the Bank is fully committed to employing best practice in this area: it is a global issue, and we will be using global standards.

This complements the regular due diligence we already conduct which; identifies the broader economic factors underpinning any request for financing and therefore the sustainability of each proposition.

We believe that our overall approach to this issue will deliver a robust and meaningful long term disclosure regime, as well as a sustainable offering for customers and a better outcome for shareholders.

I'll now turn to Board renewal.

We've had a structured Board review, assessment and renewal framework in place for some time.

We review the performance of the Board and its Committees annually, using an external firm to assess performance in alternate years.

The Board meets annually for an open discussion on the Board's performance, and Directors identify areas where improvements can be made in Board processes and the way in which the Board interacts and challenges management.

In appointing new Non-Executive Directors, the Board Performance and Renewal Committee assesses the skills, experience and personal qualities of candidates.

This assessment takes into consideration attributes such as diversity to ensure that appointments adequately reflect the Group's aspirations and the environment in which we operate.

Through this extensive process your Board has this year announced the appointment of two new Directors whom we believe will each make a significant contribution.

Mr Shirish Apte and Sir David Higgins have a wide range of the skills we sought, and the experience of each includes an ability to bring an international perspective and breadth of thinking to the Board's deliberations which will deliver significant benefits to the Group.

Shirish and David are highly respected business figures both in the Asia-Pacific region and globally.

Shirish will bring international banking knowledge and experience that will greatly benefit our Bank.

David brings a vast array of high-level business, infrastructure and major project experience gained around the world.

Both Directors will be invaluable additions to the Commonwealth Bank Board and I very much look forward to working with them.

We have initiated a range of Board education sessions this year.

These have been very valuable in helping us better understand some of the complex issues facing the Group, not least technology, and providing exposure to a wide range of our stakeholders.

One of these is devoted to the views of investors.

I have continued to hold regular one on one meetings with our major shareholders and I greatly value these frank discussions.

Going forward, our Board renewal programme will continue to ensure that your Board reflects a diverse range of backgrounds and skills that complement and support the aspirations and strategic direction of the Commonwealth Bank Group.

We are particularly focused on maintaining gender diversity, and complementing the Board with additional technology, legal and financial services skills.

Throughout the history of the Bank, our guiding principle has been to secure and enhance the financial wellbeing of people, businesses and communities, and this principle is underpinned by good ethical behaviour and a sound ethical culture.

Let me finish by making a few comments on the outlook.

We are cautiously positive about the outlook for the 2015 financial year.

Whilst business and consumer confidence have remained fragile, the levels of underlying activity confirm the strong foundations of the Australian economy.

Lower interest rates have been positive for the housing and construction sectors, where increased activity has gone some way to offset the impacts of the anticipated reduction in investment in the resources sector.

Although investment in the resources sector has tapered off as predicted, the fruits of previous investment are showing up in increased production of iron ore and LNG as new projects move into the production phase.

The past twelve months have also been a period of relative stability in the global economy, although downside risk remains.

If the stability in global markets continues, we expect to see gradual increases in consumer spending and demand for credit from businesses over the coming year.

Ian will be talking about this further.

In terms of our business settings, it's critical to take a long-term view of the Australian economy.

We will continue our focus on the future and building our key capabilities:

People, technology, productivity and strength.

We will also actively support policies designed to build a sustainable Australian economy over the next decade.