









# NOTICE OF MEETING

2014 ANNUAL GENERAL MEETING

# HOW TO GET THERE:

The 2014 Annual General Meeting of the Commonwealth Bank of Australia will be held on Wednesday, 12 November 2014, commencing at 11.00am at the Melbourne Convention and Exhibition Centre, 1 Convention Place, South Wharf, Victoria.

-  PUBLIC PARKING
-  DISABLED ACCESS
-  INFORMATION
-  BUSINESS CENTRE/TICKETING
-  TRAM STOP
-  CAFE/FOOD



The Melbourne Convention and Exhibition Centre is centrally located, being a short walk from Melbourne's central business district. Transport options are outlined below. Timetables and further transport information can be found at [www.ptv.vic.gov.au](http://www.ptv.vic.gov.au)

## Trains

Take any train that goes to Southern Cross Station. The Melbourne Convention and Exhibition Centre is walking distance from that train station. Alternatively, tram numbers 96, 109 and 12 travel past Southern Cross Station down Spencer/Clarendon Streets and stop opposite the Melbourne Convention and Exhibition Centre.

## Trams

Tram numbers 96, 109 and 12 travel down Spencer/Clarendon Streets and stop opposite the Clarendon Street entrance of the Melbourne Convention and Exhibition Centre. Tram number 70 stops at the end of Flinders Street. Walk towards the Yarra River and across the Seafarers bridge.

## Taxi

There are taxi ranks near the Melbourne Convention and Exhibition Centre. Taxis can drop off at Convention Centre Place, next to the Hilton Melbourne South Wharf and DFO South Wharf, or at 2 Clarendon Street, South Wharf.

## Car

The Melbourne Convention and Exhibition Centre is serviced by an undercover car park where parking is charged at a rate of approximately A\$48.00 for the day. Alternatively, parking is available at South Wharf Retail and charged at a rate of approximately A\$40.00 for the day. Entry for both car parks is from Normanby Road.

# CHAIRMAN'S LETTER

15 SEPTEMBER 2014

---

## Dear Shareholder

It is my pleasure to invite you to attend the 2014 Annual General Meeting of the Commonwealth Bank of Australia. The Meeting will be held at the Melbourne Convention and Exhibition Centre, 1 Convention Place, South Wharf, Victoria on Wednesday 12 November 2014, commencing at 11.00am. A map on the previous page shows the location of the Convention Centre. Registration will be available from 9.30am.

A Voting/Proxy Form is included in this information pack. The Form contains a barcode to assist with the registration process at the Meeting. If you attend the Meeting, please bring this barcoded Form with you. If you are not attending the Meeting, the Form allows you to either lodge your vote directly or appoint a proxy to vote on your behalf. Please refer to the Notice of Meeting and the Voting/Proxy Form for more information.

I have enclosed a form for those who cannot attend the Meeting but would like to submit questions on any shareholder matters that may be relevant to the Meeting. I invite you to submit any questions on this enclosed form and return it with the Voting/Proxy Form. While time will

probably not permit me to address all the questions submitted, I will try, during the course of the Meeting, to address the more frequently raised shareholder matters.

A live webcast of the Meeting will be broadcast on the Bank's website through the Shareholder Centre at [www.commbank.com.au/shareholder/annualgeneralmeeting](http://www.commbank.com.au/shareholder/annualgeneralmeeting). An archive of the webcast will be available at the same web address within a day of the Meeting. This will enable you to hear or read the responses to the questions raised on the returned forms and during the Meeting.

Any body corporate holder of Commonwealth Bank shares, or any body corporate appointed as a proxy,

wishing to appoint a person to act as its representative at the Meeting may do so by providing that person with a letter, executed in accordance with the body corporate's constitution, authorising him or her as the body corporate's representative.

The Notice of Meeting commences on page 3, listing the items to be considered at the Meeting. Background information on Items 2 to 6 is contained in the Explanatory Memorandum on pages 7 to 17.

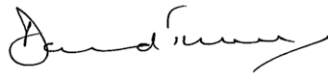
This year, an individual shareholder, Mr Stephen Mayne, has nominated himself for election to the Board (Item 3). The Board, assisted by the Board Performance & Renewal Committee, has considered Mr Mayne's nomination against the criteria it uses to ensure that candidates will add to the effectiveness of the Board. The Board recommends that you vote against Mr Mayne's election as a director for the reasons set out on page 10 of the Explanatory Memorandum accompanying this Notice of Meeting.

Agenda Item 6 is a resolution that has been proposed by a group of Commonwealth Bank shareholders representing approximately 0.0086%

of the Company's shares on issue. This resolution is not endorsed by the Board. The Board recommends that you vote against this resolution for the reasons set out on pages 16 and 17 of the Explanatory Memorandum accompanying this Notice of Meeting.

Commonwealth Bank Directors and Senior Executives extend an invitation to shareholders to join them for refreshments after the Meeting.

Yours sincerely



David J Turner  
**CHAIRMAN**

# NOTICE

# OF MEETING

**The 2014 Annual General Meeting of the Commonwealth Bank of Australia will be held on Wednesday, 12 November 2014, commencing at 11.00am at the Melbourne Convention and Exhibition Centre, 1 Convention Place, South Wharf, Victoria.**

## ITEMS OF BUSINESS

### **1. DISCUSSION OF FINANCIAL STATEMENTS**

To discuss the financial report, the Directors' report and the auditor's report for the year ended 30 June 2014.

### **2. ELECTION OF BOARD ENDORSED DIRECTORS**

In accordance with Rules 11.1 and 11.2(a) of the Constitution of the Commonwealth Bank of Australia:

- (a) Ms Launa Inman retires and, being eligible, offers herself for re-election; and
- (b) Mr Andrew Mohl retires and, being eligible, offers himself for re-election.

In accordance with Rules 11.4(b) and 11.2(a) of the Constitution of the Commonwealth Bank of Australia:

- (c) Mr Shirish Apte retires and, being eligible, offers himself for election; and
- (d) Sir David Higgins retires and, being eligible, offers himself for election.

### **3. ELECTION OF NON-BOARD ENDORSED DIRECTOR CANDIDATE, MR STEPHEN MAYNE**

In accordance with Rule 11.2(c) of the Constitution of the Commonwealth Bank of Australia, a non-Board endorsed candidate, Mr Stephen Mayne, offers himself for election.

Information about the candidates seeking election and re-election for Items 2 and 3 appears in the Explanatory Memorandum, including the Board's recommendation in relation to each candidate.

### **4. REMUNERATION REPORT**

To adopt the Remuneration Report for the year ended 30 June 2014.

### **VOTING EXCLUSION STATEMENT FOR ITEM 4**

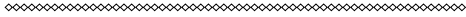
The Company will disregard any votes cast (in any capacity) on Item 4 by or on behalf of:

- o a member of the key management personnel of the Company (KMP) as disclosed in the Company's 2014 Remuneration Report; and

- o a closely related party of those persons (such as close family members and any companies the person controls),

unless the vote is cast as proxy for a person who is entitled to vote, and:

- o the vote is cast in accordance with a direction on the Voting/Proxy Form; or
- o in the absence of a direction on the Voting/Proxy Form, the vote is cast by the Chairman of the Meeting.



**5. GRANT OF SECURITIES TO IAN NAREV UNDER THE GROUP LEADERSHIP REWARD PLAN**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That approval be given in accordance with ASX Listing Rule 10.14 for the participation of Ian Narev in the Group Leadership Reward Plan (GLRP) of the Commonwealth Bank of Australia, and for the grant of reward rights to Mr Narev within one year of the date of this Annual General Meeting pursuant to the GLRP and on the terms described in the Explanatory Memorandum accompanying this Notice of Meeting.”

**VOTING EXCLUSION STATEMENT FOR ITEM 5**

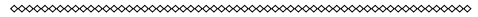
The Company will disregard any votes cast (in any capacity) on Item 5 by or on behalf of:

- o Ian Narev or any of his associates; and

- o a member of the KMP or a closely related party of those persons (such as close family members and any companies the person controls),

unless the vote is cast as proxy for a person who is entitled to vote, and:

- o the vote is cast in accordance with a direction on the Voting/Proxy Form; or
- o in the absence of a direction on the Voting/Proxy Form, the vote is cast by the Chairman of the Meeting.



**6. RESOLUTION REQUISITIONED BY MEMBERS TO AMEND THE CONSTITUTION (NON-BOARD ENDORSED)**

To consider and, if thought fit, pass the following resolution as a special resolution to amend the Constitution:

“At the end of the Clause 9 ‘General Meetings’ insert the following new sub-clause: ‘That, each year at about the time of the release of the Annual Report, at reasonable cost and omitting any proprietary information, the Directors report to shareholders their assessment of the quantum of greenhouse gas emissions we are responsible for financing calculated, for example, in accordance with Greenhouse Gas (GHG) Protocol guidance’.”

Note: This resolution was proposed by a group of shareholders holding approximately 0.0086% of the Company’s shares on issue. The resolution is not endorsed by the Board of Directors.



The Board recommends that shareholders vote against this resolution for the reasons set out on pages 16 and 17 of the Explanatory Memorandum accompanying this Notice of Meeting. The Chairman of the Meeting intends to vote undirected proxies **against** this resolution.

\*\*\*\*\*

#### **DIRECT VOTING**

If you are a shareholder and are unable to attend and vote at the Annual General Meeting on 12 November 2014, you are entitled to vote your shares directly by marking "X" in Method A on the enclosed Voting/Proxy Form. You will then not need to appoint a proxy to act on your behalf. You should then mark either "For" or "Against" for each Agenda Item on the Form.

If you vote on at least one item but leave other item(s) blank, the vote on the item(s) marked will be valid but no vote will be counted for the item(s) left blank.

If you leave blank the voting direction for all resolutions, the Chairman will be deemed to be your appointed proxy for all resolutions.

\*\*\*\*\*

#### **APPOINTMENT OF PROXY**

If you are a shareholder and are unable to attend and vote at the Annual General Meeting on 12 November 2014, and do not choose to use direct voting, you are entitled to appoint a proxy to attend and vote on your behalf. A proxy need not be a shareholder. To do this you should mark "X"

in Method B on the Voting/Proxy Form. A proxy may be an individual or a body corporate. Subject to what is set out below in relation to the KMP of the Company, if no voting directions are given, the proxy may vote as they see fit.

The Chairman of the Meeting intends to vote all available proxies:

- o **in favour** of Items 2, 4 and 5;
- o **against** Item 3 (Election of non-Board endorsed Director candidate, Mr Stephen Mayne) and Item 6 (Resolution requisitioned by members to amend the Constitution).

If a shareholder appoints a member of the KMP (which includes each of the Directors) as proxy, the KMP will not be able to cast the shareholder's votes on Item 4 or Item 5 unless the shareholder directs the KMP how to vote or the Chairman of the Meeting is the shareholder's proxy. If a shareholder appoints the Chairman of the Meeting as their proxy or the Chairman of the Meeting is appointed as the shareholder's proxy by default, and the shareholder does not mark a voting box for Item 4 or Item 5, then by signing and returning the Voting/Proxy Form the shareholder will be expressly authorising the Chairman of the Meeting to exercise the proxy in respect of the relevant item even though the item is connected with the remuneration of the KMP.

If you are a shareholder entitled to cast two or more votes, you may appoint up to two proxies and may specify the proportion of voting rights or the number of votes each proxy is appointed to exercise.

SENDING US YOUR DIRECT VOTE  
OR PROXY

The completed Voting/Proxy Form must be received by the Share Registrar, Link Market Services Limited, at Locked Bag A14 Sydney South NSW 1235 or by facsimile to (02) 9287 0309 in Australia or (+61 2) 9287 0309 if you are overseas, by 11.00am Melbourne time Monday, 10 November 2014. A return envelope is provided.

If you wish to submit your direct vote or your appointment of proxy and voting instructions electronically, visit the share registry website, [www.vote.linkmarketservices.com/CBA](http://www.vote.linkmarketservices.com/CBA) and follow the prompts and instructions.

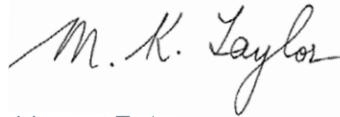
(You will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) which is shown in the top right hand side of the Voting/Proxy Form).

If your direct vote or appointment of a proxy is signed by an attorney, or in the case of a direct vote or proxy submitted electronically, authenticated by an attorney, the power of attorney (or a certified copy of the power of attorney) must be received by the Share Registrar, Link Market Services Limited, at Locked Bag A14 Sydney South NSW 1235 or by facsimile to (02) 9287 0309 in Australia or (+61 2) 9287 0309 if you are overseas, by 11.00am Melbourne time Monday, 10 November 2014.

DETERMINATION OF SHAREHOLDERS'  
RIGHT TO VOTE

The Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the register of shareholders as at 7.00pm (Melbourne time) on Monday, 10 November 2014. Share transfers registered after that time will be disregarded in determining entitlements to vote at the Annual General Meeting.

By order of the Board



Margaret Taylor  
**COMPANY SECRETARY**  
15 September 2014



# EXPLANATORY

# MEMORANDUM

## AGENDA ITEM 2

---

### **ELECTION OF BOARD ENDORSED DIRECTORS**

In accordance with Rules 11.1 and 11.2(a) of the Commonwealth Bank of Australia Constitution, Ms Launa Inman and Mr Andrew Mohl will retire at the Annual General Meeting and offer themselves for re-election. Ms Inman was previously elected in 2011 and Mr Mohl was last re-elected in 2011.

In accordance with Rules 11.4(b) and 11.2(a) of the Constitution of the Commonwealth Bank of Australia, Mr Shirish Apte and Sir David Higgins will retire at the Annual General Meeting and offer themselves for election.

The Board has in place policies and procedures designed to:

- identify and update criteria for current and potential Directors to reflect the changing environment in which the Company operates and the strategies being developed for the future growth of the Company; and
- monitor the skills and experience of existing Directors to ensure that the Board is capable of operating as an excellent team in undertaking the role and responsibilities of the Board.

The Board undertakes an annual review of its performance, policies and practices. This review includes an assessment of the performance of each Director individually and the results are considered by the Board in determining its endorsement of the Directors to stand for re-election at the Annual General Meeting. After considering the results of the 2014 review, the Board (with the exception of each Director in relation to his or her own re-election) supports the re-election of Launa Inman and Andrew Mohl.

The Board (with the exception of each Director in relation to his own election) also supports the election of Shirish Apte and Sir David Higgins.

The Board considers that each of Andrew Mohl, Launa Inman, Shirish Apte and Sir David Higgins qualifies as an independent Director.

***Details of the candidates are as follows:***



## Ms Launa Inman

Launa Inman has been a member of the Board since 16 March 2011, and is a member of the Audit Committee and the Remuneration Committee.

Ms Inman was Managing Director and Chief Executive Officer of Billabong International Limited from May 2012 until August 2013. Prior to this, she was Managing Director of Target Australia Pty Limited from 2005 to November 2011, and Managing Director of Officeworks from 2004 to 2005.

Ms Inman won the 2003 Telstra Australia Business Woman of the Year Award and was winner of the Commonwealth Government Private and Corporate Sector Award. She is a member of the Australian Institute of Company Directors.

Ms Inman brings to the Board a total of 35 years of experience in the retail sector, nine of those as managing director, with significant experience in marketing and customer services.

Ms Inman is a resident of Victoria.  
Age 58.

◆◆◆◆◆◆◆◆◆◆



## Mr Andrew Mohl

Andrew Mohl has been a member of the Board since 1 July 2008 and is a member of the Risk Committee and the Remuneration Committee.

Mr Mohl has over 35 years of financial services experience. He was Managing Director and Chief Executive Officer of AMP Limited from October 2002 until December 2007. Mr Mohl's previous roles at AMP included Managing Director, AMP Financial Services and Managing Director and Chief Investment Officer, AMP Asset Management.

Mr Mohl is a former Group Chief Economist, Chief Manager, Retail Banking and Managing Director, ANZ Funds Management at ANZ Banking Group. He commenced his career at the Reserve Bank of Australia where his roles included Senior Economist and Deputy Head of Research.

Mr Mohl is Chairman of the Federal Government Export Finance and Insurance Corporation (Efic).

Mr Mohl brings to the Board highly relevant experience in the management of large and complex financial services groups.

Mr Mohl is a resident of New South Wales.  
Age 58.

◆◆◆◆◆◆◆◆◆◆



## Mr Shirish Apte

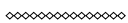
Shirish Apte has been a member of the Board since 10 June 2014 and is a member of the Audit Committee and the Risk Committee.

Mr Apte was Co-Chairman of Citi Asia Pacific Banking from January 2012 until January 2014, when he retired from Citi. Mr Apte remains a director of Citibank Japan and a member of the Supervisory Board of Citibank Handlowy, Poland. From 2009 until 2011, Mr Apte was Chief Executive Officer of Citi Asia Pacific, with responsibility for South Asia, including Australia, New Zealand, India and ASEAN countries. He was a member of Citigroup's Executive and Operating Committees.

Mr Apte has more than 32 years experience with Citi, including as CEO of Central & Eastern Europe, Middle East & Africa (CEEMEA) and, before that, as Country Manager and Deputy President of Citibank Handlowy, Poland. Mr Apte moved to London in 1993 as a senior Risk Manager for CEEMEA before becoming Corporate Finance and Investment Bank Head for CEEMEA, including India.

Mr Apte brings to the Board extensive and in-depth international banking knowledge and experience gained at a very senior level in a major global bank.

Mr Apte is a resident of Singapore. Age 61.



## Sir David Higgins

Sir David has been a member of the Board since 1 September 2014 and is a member of the Remuneration Committee.

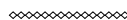
Sir David is currently the Chairman of High Speed Two (HS2) Ltd, the company responsible for developing and promoting the UK's new high speed rail network. Prior to that, he was Chief Executive of Network Rail Infrastructure Ltd in London which is involved in the maintenance and development of railway infrastructure throughout the UK.

From 2006 until 2011, he was Chief Executive of the Olympic Delivery Authority where he oversaw the creation of the London 2012 Olympic Games venues, the Olympic Village and transport projects. Prior to December 2005, he was Chief Executive of English Partnerships, the UK Government's national housing and regeneration agency, for three years. In 1985, he joined Lend Lease and in 1995, he was appointed Managing Director and Chief Executive Officer of Lend Lease.

He was knighted in the 2011 Queen's Birthday Honours list for services to regeneration.

Sir David brings to the Board experience as a chief executive, as well as a vast array of experience gained in Australia and internationally in business, infrastructure and major projects.

Sir David is a resident of the United Kingdom. Age 59.





*Mr Mayne is standing for the Commonwealth Bank of Australia Board on a governance platform in response to the concerns raised by the recent Senate Committee which called for a Royal Commission into the bank's financial advice division.*

*Mr Mayne understands banking and was once Banking Reporter for The Age. He has been a long-time customer and shareholder of the bank and believes he could add value with his broad business knowledge and understanding of the media and political systems in Australia.*

*If elected, Mr Mayne undertakes to work constructively and collegiately with the board and management team to maximise shareholder value in an environment of heightened governance and transparency."*

## AGENDA ITEM 4

### REMUNERATION REPORT

Section 250R of the Corporations Act requires a listed company to put a resolution to shareholders to adopt the company's Remuneration Report.

The Remuneration Report can be found at pages 43 to 62 of the Company's 2014 Annual Report. It sets out the remuneration arrangements for the KMP (who comprise

the Company's Directors, the Chief Executive Officer and Group Executives).

The Company's remuneration structure is designed to align executive and shareholder interests, retain talent and support long term value creation by providing employees with competitive remuneration and valuable rewards for outstanding performance. The Board obtains independent input to confirm the appropriateness of these arrangements.

The vote on this resolution is advisory only and does not bind the Directors or the Company.

## AGENDA ITEM 5

### GRANT OF SECURITIES TO IAN NAREV UNDER THE GROUP LEADERSHIP REWARD PLAN

ASX Listing Rule 10.14 requires shareholder approval for the acquisition of securities by a Director under an employee incentive scheme. While it is not currently intended that securities will be issued (as opposed to being acquired on market), to satisfy any reward under this scheme, shareholder approval is nonetheless being sought.

The approval sought is to grant Ian Narev (the Chief Executive Officer and Managing Director of the Company) reward rights

under the Group Leadership Reward Plan (GLRP) in relation to his long term incentive (LTI) arrangements.

Reward rights entitle Mr Narev to receive shares or a cash equivalent, as determined by the Board, subject to vesting criteria including the satisfaction of performance hurdles.

The GLRP aims to focus the efforts of participants to support superior shareholder returns and customer satisfaction in order to achieve the Group's vision through long term value creation. Participants in the 2014 GLRP award include Mr Narev and the Company's Group Executives. No other current Directors are entitled to participate in the GLRP.

If shareholder approval is obtained, reward rights will be granted to Mr Narev following the 2014 Annual General Meeting, and in any event no later than 12 months after the date of this Annual General Meeting. The reward rights will be granted at no cost to Mr Narev. Participants in the GLRP are not provided with any loans in relation to their participation in the Plan.

Mr Narev's award will be split into two portions:

- 75% of the award will be subject to a performance hurdle which ranks the

Company's Total Shareholder Return (TSR) relative to a peer group comprising the 20 largest companies by market capitalisation listed on the Australian Securities Exchange at the beginning of the performance period, excluding resources companies and the Company.

- 25% of the award will be subject to a performance hurdle which ranks the Group's customer satisfaction performance relative to a peer group of Australia & New Zealand Banking Group Limited, National Australia Bank Limited, Westpac Banking Corporation and other key competitors for the Group's wealth business.

The total number of reward rights (if any) that vest will not be known until after the end of the performance period (which is 30 June 2018). The vesting of the reward rights will be tested against the Company's TSR and customer satisfaction performance, as set out below:

- For the TSR performance component, full vesting will occur where the Company's TSR ranking at the end of the performance period on 30 June 2018 is in the top quarter of the peer group (ie 75th percentile or higher). Half of this component will vest if the Company's TSR is ranked at the median

of the peer group. Vesting of between 50% and 100% will occur on a pro-rata straight-line basis if the Company is ranked between the median and 75th percentile.

- For each business area, the ranking for each customer satisfaction survey over the four year performance period is straight-line averaged. These average rankings are then weighted by each business area's contribution to Net Profit After Tax. This gives the weighted average ranking for the Group. Full vesting for this component will occur where the weighted average ranking for the Group is 1st (ie 1.00).

Half of this component will vest if the Group's weighted average ranking is 2nd (ie 2.00). Vesting of between 50% and 100% will occur on a pro-rata straight-line basis if the Group's weighted average ranking is between 2nd and 1st (ie between 2.00 and 1.00).

Any vesting under the GLRP is subject to Board discretion. If circumstances warrant it, the Board may adjust vesting outcomes if they are not considered reflective of actual performance. The Board may also adjust the performance hurdles where unforeseen developments occur, if it considers the adjustment is appropriate

in light of the intent and purpose of the GLRP. Any such adjustment would be explained in the Company's Annual Report.

While the current policy of the Company is to acquire ordinary shares on market for vested LTI awards, the Company has flexibility under the rules of the GLRP to issue shares instead.

Dividends (or their cash equivalent) are paid only if reward rights vest.

#### **NUMBER OF REWARD RIGHTS TO BE GRANTED TO MR NAREV**

If shareholder approval is obtained, a maximum of 58,131 reward rights will be granted to Mr Narev. The maximum value of these rights is \$4,713,843 based on the volume weighted average price (VWAP) of the Company's ordinary shares over the five trading days up to and including 1 July 2014 (reflecting the beginning of the performance period). The VWAP for the 2014 grant is \$81.09. The present value of the award of 58,131 reward rights is \$2,650,000, using a valuation factor of 56%. This is the value of the rights calculated by an independent actuary allowing for expected share price and dividend performance, and performance against the performance hurdles over the four year period, using a Monte-Carlo simulation valuation methodology.



Of the 58,131 reward rights to be granted, 43,001 reward rights may vest depending on the Company's performance against the TSR performance hurdle, and 15,130 reward rights may vest depending on the Group's performance against the customer satisfaction hurdle.

**TREATMENT OF REWARD RIGHTS IF MR NAREV LEAVES THE GROUP**

In general, if Mr Narev ceases employment before the grant of reward rights vests, he will continue to be entitled to unvested entitlements under the GLRP, unless the Board determines that the grant vests or lapses on cessation of employment. If the entitlements do not vest or lapse, the GLRP performance hurdles will continue to apply (except that any continuous service requirement will be deemed to have been waived) until the outcome is determined at the end of the performance period. In the case of dismissal, misconduct or poor performance the Board would determine that unvested awards would lapse.

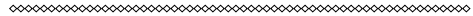
**PARTICIPANTS UNDER PREVIOUS APPROVALS**

At the 2013 Annual General Meeting, shareholders approved the granting to Mr Narev of reward rights under the GLRP. Mr Narev was subsequently granted

62,966 reward rights which are subject to the terms of the GLRP. No price is or was payable for the acquisition of those reward rights. No other reward rights have been granted to the Directors under the GLRP since the 2013 Annual General Meeting.

The Board recommends that shareholders support the resolution.

**AGENDA ITEM 6**



**RESOLUTION REQUISITIONED BY MEMBERS TO AMEND THE CONSTITUTION (NON-BOARD ENDORSED)**

A group of shareholders holding approximately 0.0086% of the Company's shares on issue have proposed a resolution to amend the Company's constitution. The proposed amendment would require the Directors to determine and then report each year their assessment of the quantum of greenhouse gas emissions that the Company is responsible for financing.

The notice of resolution provided by the shareholders to the Company under section 249N of the Corporations Act included the following supporting text:

*Currently, in aggregate, fossil fuel companies are estimating with 90% certainty that they will be able to extract freely (for subsequent sale and*

combustion) over three times more carbon than is compatible with the internationally agreed ceiling. This inconsistency between financial accounting, physical reality and political intent is referred to as the 'unburnable carbon bubble'. It is akin to a traditional speculative bubble because all investor's expectations cannot be met. As the bubble bursts it is likely reserves and other fossil fuel specific assets will become stranded, ie written down in value prior to the end of their economic life.

Our bank is a significant debt and equity financier of companies in greenhouse gas emissions intensive industries such as coal mining, coal ports, oil and gas production, and fossil fuel based electric power generation.<sup>1</sup>

For example, we understand (from third-party sources) our bank made loans equivalent to 11% of our bank's equity to such Australian carbon intensive businesses in the period 2008 to 2013.

In addition as shareholders we are exposed to the risk of loss on carbon intensive shares held in the share portfolios of our now closed defined benefit superannuation scheme and our insurance options.

Further, there is a risk of legal, regulatory or reputational exposure in the event our wealth management operations fail

to adequately address this unburnable carbon risk.

All banks contribute to climate change through their financed emissions, which are the emissions induced by a bank's debt and equity investments in companies that themselves emit greenhouse gases (for example, fossil fuel power generators) and companies whose products and services result in greenhouse gas emissions (for example, thermal coal miners). A bank's financed emissions typically dwarf its own operational climate impacts and expose it to risk of loan default, share value write down as well as legal, reputational and regulatory risks. Measurement of financed emissions is facilitated by tools developed by the Greenhouse Gas Protocol. Our bank currently reports its own operational emissions but not its financed emissions.

Our bank has a policy on climate change. Our bank's policy states

"The Group believes climate change will have a major environmental, economic and social impact. Climate change presents both risks and opportunities and the Group will continue to take an active role as a financial intermediary in addressing climate change." We think it is time CBA assisted its own shareholders address the carbon risk they bear.

<sup>1</sup> See 'Financed emissions, unburnable carbon and Australia's top four banks', at [http://www.accr.org.au/big\\_banks](http://www.accr.org.au/big_banks)

*In view of the potential quantum of risk it is inappropriate that shareholders should be obliged to rely on third-party commentators to endeavour to assess the extent of our bank's financed emissions and exposure to 'unburnable carbon risk' and the steps taken by our bank to mitigate those risks.*

*Other shareholders should be aware that our concerns are widely held. For example, in the 2014 US proxy season 132 resolutions were filed with 118 US companies dealing with climate change issues.<sup>2</sup> In particular, resolutions requesting disclosure of financed emissions considered at the AGM's of Bank of America and PNC Financial attracted the support of roughly one quarter of shareholders voting.*

The Board respects the rights of shareholders to requisition a resolution which seeks to amend the Company's constitution. The Board also recognises the need to encourage better environmental practices while supporting our national economic interests.

The Board does not, however, consider the resolution to be in the best interests of the Company and recommends that shareholders vote **against** this resolution.

As a practical matter, it is not possible for the Group to obtain information, from the

many thousands of organisations to which the Group provides financing each year, as to the quantum of greenhouse gas emitted from those organisations' operations. Many of those organisations do not currently capture that information.

Furthermore, the Board recognises the importance of addressing the challenge of climate change and supporting development of alternative energy sources and sustainable energy practices, as demonstrated by the initiatives and reporting outlined below:

- The Group, together with many of the world's other leading financial institutions, is a signatory to the third iteration of the Equator Principles. The Equator Principles III reflect the latest developments in environmental and social risk management practices, and associated governance concerning compliance. By adopting the Equator Principles III, the Group continues to build on its commitment to responsible lending.
- Consistent with the Group's vision to 'excel at securing and enhancing the financial wellbeing of people, businesses and communities', the Group is committed to assisting our customers in their transition to a lower carbon

<sup>2</sup> See <http://www.ceres.org/press/press-releases/shareholders-seeking-stronger-responses-from-companies-as-climate-change-concerns-deepen>

- economy. Examples of engagement with our customers and the broader community in relation to climate change issues include financing support for wind, solar and hydroelectric projects, and the continued commitment and achievement in reducing the Group's own emissions footprint.
- The Group acknowledges that it is in a position to influence companies in which it invests and to which it lends, in relation to their impact on the environment. The Group's lending policies require that environmental risks be considered at the point of deal initiation, risk assessment and annual review for relevant credit applications.
  - The Group is subject to the Federal Government's National Greenhouse and Energy Reporting (NGER) scheme. The scheme makes it mandatory for controlling corporations to report annually on their Australian domestic greenhouse gas emissions, energy production and energy consumption (ie Scope 1 and 2 emission sources). As a result of a long history in voluntary environmental reporting, the Group is well placed to meet the Australian Government's NGER requirements.
  - The Group is working with the International and Australian finance industry and the United Nations Environmental Program, Financial Institutions (UNEPFI) to develop a consistent methodology to measure GHG emissions and remains committed to improving its assessment and management of environmental, social and governance (ESG) matters.
  - The Group's sustainability strategy and the 2014 Sustainability Report are available on the Group's website. The Sustainability Report is published alongside our Annual Report, thereby providing a comprehensive view of both the financial and non-financial performance of the Group.
- Having regard to the initiatives and reporting outlined above, and the fact that it is not clear how the Directors would, as a practical matter, be in a position to comply with the resolution, the Board does not consider that the proposed amendment to the Company's constitution is in the best interests of shareholders.
- Accordingly, the Board recommends that shareholders vote **against** this resolution.
- The Chairman intends to vote available proxies **against** this resolution.

# CONTACT

# INFORMATION

## Head Office

Commonwealth Bank of Australia  
Ground Floor, Tower 1  
201 Sussex Street  
Sydney NSW 2000  
Telephone: +61 2 9378 2000  
Facsimile: +61 2 9118 7192

## Share Registrar

Link Market Services Limited  
Level 12  
680 George Street  
SYDNEY NSW 2000  
Telephone: +61 1800 022 440  
Facsimile: +61 2 9287 0303  
Internet: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)  
Email: [cba@linkmarketservices.com.au](mailto:cba@linkmarketservices.com.au)

## Telephone numbers for overseas shareholders

**New Zealand** 0800 442 845  
**United Kingdom** 0845 640 6130  
**Fiji** 008 002 054

## Shareholder Information

[www.commbank.com.au/shareholder](http://www.commbank.com.au/shareholder)

## Annual Report

To request a copy of the Annual Report, please call Link Market Services Limited on +61 1800 022 440 or by email at [cba@linkmarketservices.com.au](mailto:cba@linkmarketservices.com.au). Electronic versions of Commonwealth Bank's past and current Annual Reports are available on [www.commbank.com.au/shareholder/annualreports](http://www.commbank.com.au/shareholder/annualreports)

## Australian Securities Exchange Listing

CBA



SCAN THE QR CODE ABOVE TO  
DOWNLOAD OUR COMMONWEALTH  
BANK INVESTOR RELATIONS APP



**CommonwealthBank**

