



Confidential
Mr Stephen Sedgwick AO
Independent Reviewer
Retail Banking Remuneration Review

By email: submissions@retailbankingremunerationreview.com.au

10 February 2017

Dear Mr Sedgwick

Please find enclosed the submission in confidence on behalf of the Commonwealth Bank of Australia Group including Bankwest (referenced herein as 'Commonwealth Bank'). The submission outlines our responses to the questions raised in the Issues Paper published on 17 January 2017. We commend the Reviewer's understanding of the broad set of issues and appreciate the opportunity to provide input towards the final report.

In summary, there are three over-arching themes to our response:

- 1. The need to change incentive structures to support good customer outcomes.** We agree with many of the issues identified by the Reviewer, and the need to change elements of incentive schemes across the industry to support good customer outcomes. We support the industry making changes consistent with the Reviewer's findings, including: the appropriate application of accelerators; simplification of incentive schemes; reduced frequency of performance assessment; establishing appropriate limits on the weighting of financial measures; modifying cross-sales gateways; removing 100% financial gateways; delivering product neutral remuneration and the cessation of product-based promotional incentives. Over the last few years, Commonwealth Bank has made many of these changes to our incentive structures and increased our controls for others. We will continue to refine our approach and we will augment these important changes by using more analytics to monitor the quality of sales, raising the standards for recognising sales; enhancing target setting practices; and changing the basis on which non-financial rewards are allocated.
- 2. The need to go beyond incentives.** We share the Reviewer's perspective that delivering good customer outcomes requires changes beyond incentives. At Commonwealth Bank, we are revising the branch target-setting process to better match local market characteristics; revising frontline reporting; and continuing our emphasis on needs-based conversations with our customers. We are committed to further strengthening our culture based on our vision, 'to excel at securing and enhancing the financial wellbeing of people, businesses and communities', and our values of integrity, accountability, collaboration, excellence and service. Our Vision and Values Program, which I launched in September 2014, remains a critical priority for the Board and my executive team. Key components of the program have been defining and enhancing clarity on our values guidelines; embedding the values in our performance framework; and the alignment of our practices, processes and policies across the Group.

3.

Sincerely,

Ian Narev
Chief Executive Officer
Commonwealth Bank of Australia