

Mr Stephen Sedgwick AO
Independent Reviewer
Retail Banking Remuneration Review

By email: [REDACTED]

30 September 2016

Dear Mr Sedgwick

Please find enclosed the submission [REDACTED] on behalf of the Commonwealth Bank of Australia Group including Bankwest (referenced herein as 'Commonwealth Bank'), which has sought to address the topics suggested in your letter to Ian Narev on 3 August 2016.

Aligned to our vision, Commonwealth Bank's remuneration framework is designed to create long-term value and positive outcomes for our people, communities, customers and shareholders. We believe that performance systems and remuneration can play a balanced and important role in delivering a positive performance culture. We also believe that incentives, as one component of remuneration, can, and should, act as an effective way to:

- Align, motivate, and engage employees to achieve balanced and sustainable performance that is consistent with Commonwealth Bank's vision and strategy, and reinforces our values-based culture¹;
- Fairly, simply, and transparently recognise the contribution of individuals and teams both in terms of the outcomes they achieve and the manner in which they are achieved;
- Help to mitigate risks by reinforcing clear risk accountabilities and expectations, rewarding and penalising risk outcomes as appropriate, and providing variable and deferred remuneration; and
- Attract and retain talent in a manner that is competitive across industries and markets.

Recognising there can be potential risks in remuneration systems, Commonwealth Bank has developed a sound remuneration approach which has been enhanced with a number of proactive, positive changes in recent years. These initiatives span from the executive level through to the front-line. For example, we have decoupled fixed remuneration increases from individual performance including sales targets for front-line employees on the Enterprise Agreement. This change, together with other recent and planned changes outlined in our submission, are designed to ensure remuneration is aligned with the best interests of our people, customers and shareholders.

In our submission we have outlined the steps Commonwealth Bank has taken to ensure remuneration and incentives support good customer outcomes. We have openly shared our insights to date and our perspective on how the financial services industry can continue to make positive progress on this issue. We also believe that this process will create greater

¹ See Appendix I for Commonwealth Bank's Values Guidelines

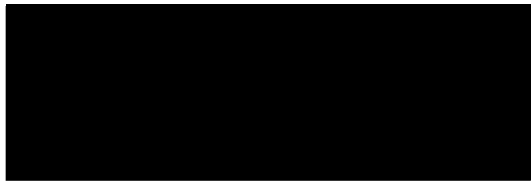
awareness and understanding among banking customers and the community regarding the balanced role of remuneration and its potential benefit to all stakeholders, the safeguards already in place and the continued effort by the industry to deliver good customer outcomes.

Through this submission our intention is to contribute to the industry's collective understanding and objectively inform core overarching principles on remuneration and incentives that will guide our own, and the broader industry's future approach for the benefit of our employees, customers and shareholders.

Commonwealth Bank welcomes the opportunity to contribute to the Australian Bankers' Association (ABA) Independent Review ('Review') of Product Sales Commissions and Product Based Payments. We are committed to continuing to evolve our remuneration practices and adopt industry-wide remuneration principles that support good customer outcomes and sound banking practices.

We invite the Review to consider our submission and would welcome the opportunity to discuss any aspect of the submission with you further.

Sincerely,



Matt Comyn
Group Executive Retail Banking Services
Commonwealth Bank of Australia