

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE FOUR MAJOR BANKS (FOURTH REPORT)

#### Commonwealth Bank of Australia

**CBA18QW:** In the Royal Commission Interim report Commissioner Hayne observed that:

“if customer facing staff should not be paid incentives, why should their managers, or those who manage managers? Why will altering the remuneration of frontline staff effect change in culture if more senior employees are rewarded for sales or revenue and profit?”

Do you agree with this observation?

**Answer:** CBA has made a number of changes to remuneration structures to increase the focus on customer outcomes and the effective management of risk. These include changes implemented as part of the response to the Sedgwick recommendations, which resulted in greater alignment of Key Performance Indicators between our retail frontline employees and their leaders (e.g. where used, financial measures represent a maximum of 30 percent of leaders’ and front line employee remuneration).

The FY19 Short Term Variable Remuneration (STVR) pool (the pool for funding all participating employees’ STVR including the Group Executives) incorporates a formal assessment of both financial and non-financial measures to determine pool size at Group and Business Unit levels. The formal assessment applies the outcome of the CEO (Group) scorecard, with financial measures carrying a 30% weighting and non-financial measures making up the 70% balance.

Levers beyond variable remuneration (e.g. performance management systems, recognition programs, promotion and career progression) also play a role in supporting culture change.