



Company	Commonwealth Bank of Australia
Code	CBA
Meeting	AGM
Date	13 October 2020
Venue	Virtual
Monitor	Lewis Gomes and Julieanne Mills

Number attendees at meeting	235 shareholders, 12 proxy holders and 829 webcast viewers
Number of holdings represented by ASA	1,227
Value of proxies	\$248.7 million (as at 13 October 2020)
Number of shares represented by ASA	3,585,837 (equivalent to 9 th largest shareholder)
Market capitalisation	\$122.8 billion (as at 13 October 2020)
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with Chairman Catherine Livingstone and Chair of People and Remuneration Committee Paul O'Malley

CBA tested on Remuneration Report

Opening Addresses

This year's AGM was conducted as a virtual meeting using the Link Market Services (LMS) platform. The meeting was generally low key with an initial presentation from the Chairman, Catherine Livingstone, followed by a presentation by the CEO, Matt Comyn. There were only a few slides and no videos to support these presentations. The meeting lasted just under two hours.

The Chairman covered the Bank's responses to the particular challenges of 2020 from the bushfires to the impacts of COVID-19, including support to customers via loan deferrals and working with government agencies to facilitate payments from Job Keeper and Job Seeker initiatives. She reiterated the Banks' ongoing commitment to being a better and simpler bank with most wealth management related businesses now divested. Investment in new technologies and upgrades of IT systems remains a focus area. She spoke to the relatively good financial performance of the Bank, notwithstanding the pandemic challenges and noted that the Bank

remains well capitalised and well placed to resume normal dividends, having reduced the most recent dividend to just under 50% of statutory profit as directed by APRA. The Bank has provisioned an extra \$1.5 billion for doubtful debts arising from current deferrals but noted that the number of deferrals continues to fall as more customers resume payments.

The Chairman addressed the Bank's progress with its Remedial Action Plan (RAP) arising from the Hayne Royal Commission and noted that 75% of all actions are now complete and that the Bank is on track to complete all required actions by the targeted date of 30 June 2021. Approximately \$730 million of remediation payments have been made to date and all anticipated future payments have been provided in the accounts.

The Chairman addressed the Remuneration Report and noted the importance of attracting and retaining key talent while also meeting new regulatory requirements from APRA and balancing the expectations of shareholders. She spoke to the Bank's commitments to energy transition but noted that the Bank sees gas as a necessary transition fuel and will continue to lend to gas projects on the proviso that such projects result in an overall reduction in greenhouse emissions.

Finally, she spoke about Board renewal, noting the retirements of David Higgins and Wendy Stopes and the appointment of Simon Moutter to the Board and his pending election at the meeting along with the re-election of Rob Whitfield.

In summary, she noted that the Bank is performing well and is well positioned for the future.

The CEO covered similar points but with some further detail. He spoke of the improved employee engagement and net promoter scores, its digital investment and strong financial growth in transactions and loans. He spoke to the Bank's support of financial awareness programmes and actions to address financial domestic abuse. He noted that loan deferrals are down by 40% from their peak and that the Bank is now working directly with each customer still on a deferral to address their specific situation. He reiterated the Bank's commitment to support the community, the country and shareholders. Finally, he advised that a new branding initiative was launched that day based on a positive message for the future "Hope".

Resolution 1 – Financial Statements

While not requiring a vote, the Chairman invited questions from shareholders. She noted concerns raised by the ASA of difficulties experienced by many shareholders with a purely online issue of the Notice of Meeting and voting processes as well as acknowledging the unfortunate conflict in timing of the AGM with that of Telstra's AGM. To a further question raised by the ASA, the CEO elaborated on the rationale behind the Bank's investment in Klarna and advised that he saw it as much more than just an investment in another Buy Now Pay Later (BNPL) platform but rather as an opportunity to further develop the Bank's digital offerings.

There were a range of questions around the reduced final dividend with one shareholder suggesting that the Bank was not obliged to follow APRA's direction. There were questions from the Finance Sector Union (FSU) claiming that the Bank had committed thousands of breaches of its

Enterprise Agreement and may incur significant penalties which have not been declared by the Bank. A large increase in the number of whistle-blower cases was noted in FY20 and the Chairman explained that this was probably due to greater awareness of the programme and she advised that the Board's Audit Committee scrutinises these cases very closely, particularly if they involved senior managers or executives.

Not surprisingly, there were many questions around the Bank's commitments to climate change and lending policies towards energy producers. The Chairman reiterated its commitments to investing more in renewables but maintaining its commitment to gas as a transition fuel. All investments are screened through an ESG filter to have no additional net carbon emissions. There were a few questions around the treatment by the Bank of past customers now subject to foreclosures on loans. The Chairman reiterated that its approach was to act fairly and as a model litigant. There were no declared questions this year from Bankwest customers or from the Bank Warriors group.

Resolution 2 – Re-election of Rob Whitfield and Election of Simon Moutter

Each of these directors spoke to their backgrounds and contributions to the Bank. The Chairman also spoke to the benefits that these directors bring to the Bank. A question was raised in relation to Mr Whitfield's former long term employment with Westpac while that bank was involved in breaches of notifications of international transactions that have since been subject to an agreed fine from AUSTRAC. The Chairman responded that Mr Whitfield left Westpac in 2017 and had no involvement in these matters.

Mr Whitfield was re-elected with 98.94% of cast votes while Mr Moutter was elected with 99.84% of cast votes.

Resolution 3 – Remuneration Report for FY20

The Chairman spoke to the Remuneration Report and described the proposed changes for FY21. There were numerous questions from staff and FSU representatives on why the Bank had given significant increases in pay to the CEO and other executive staff while general staff had only received a 3% increase in 2019. Several questioners noted that the CEO's pay in FY20 was 14% higher than for FY19. The Chairman advised that the Bank was still in negotiations with the FSU on pay and related matters but did indicate that customer-facing employees would receive pay increases.

In regard to the new arrangements for FY21, the Chairman referred to the formal introduction of clawback and malus provisions into the remuneration framework and noted that under her chairmanship, some \$100 million of granted awards to executive staff had been cancelled in 2017. She also pointed out that of the four "Big Bank" CEO's, Matt Comyn received the second lowest pay.

There was little actual discussion or questioning of the new remuneration framework. In particular, the introduction of a split Long Term Incentive award into two equal components, one

being subject to a TSR hurdle and the other being in the form of deferred pay aroused little interest from the meeting.

The ASA voted in favour of the Remuneration Report on the basis of the significant leadership and cultural change achieved by the CEO over the last few years, the way in which the COVID-19 issues had been handled and the solid financial results in a difficult year. The ASA also noted that the Bank had paid a higher dividend (both in absolute and percentage terms) than its three major competitors for FY20.

The resolution was passed with 79.17% of cast votes in favour.

Resolution 4 – Grant of Securities to the CEO

This resolution sought the allocation of 23,394 Restricted Share Units as his FY21 Long Term Alignment Remuneration (LTAR) award and the same numbers of Performance Rights as his FY21 Long Term Variable Remuneration (LTVR) award, each valued at \$1.61 million. The Chairman described the new arrangements and noted that under these arrangements both the Short Term Incentive (STI) and the LTI (being the sum of LTAR and LTVR) had been substantially reduced from previous years and would be more aligned with APRA's requirements for financial institutions (as set out in CPS 511, see footnote) in that there would be less focus on financial outcomes and more focus on behaviours.

Again there were further questions from staff representatives seeking the reduction of executive pay increases to the same levels as received by most staff.

The ASA stated its preference that all LTI awards be subject to measurable financial hurdles. However, the ASA noted that the new framework resulted in reduced maximum opportunities and longer vesting and holding periods and therefore voted in favour of the resolution. (In its Voting Intentions for the AGM, the ASA also noted the alignment of the new framework with APRA's requirement or for reduced emphasis on financial metrics as described in the footnote.)

The resolution was passed with 79.05% of cast votes in favour.

Resolution 5 – Requisition to Amend the Company's Constitution

This resolution was raised by a small group of shareholders seeking to impose restrictions on the Bank's participation in a Commonwealth Government-sponsored initiative called the Business Growth Fund (BGF) which will seek to assist small and medium businesses (SME's) with loan finance. The sponsors of this resolution spoke in its support but the Chairman reiterated the Bank's support to the SME sector and noted that details of the workings of the BGF were still being developed by the Government.

The resolution was lost with 99.26% of cast votes against the matter.

Footnote – Draft Prudential Standard CPS 511 on Remuneration

On July 2019 APRA released this document and an accompanying discussion paper for consultation. It sets out APRA's heightened expectations for remuneration policy and governance practices with the aim of ensuring remuneration arrangements promote effective management of both financial and non-financial risks, sustainable performance and long term soundness of the entity. Subject to final consultation, CPS 511 is intended to take effect from 1 July 2021.

The new standard applies to all APRA-regulated entities, with some special requirements only applicable to larger institutions (eg the Big Four Banks). This standard will operate alongside and supplement the Banking Executive Accountability Regime (BEAR) requirements for Approved Deposit-taking Institutions (ADI's).

The standard sets out numerous requirements but in particular:

- Prescribed remuneration deferral periods up to 7 years
- Clawback provisions
- Explicit focus on non-financial risk management including a limit on financial metrics of 50% across the total amount of variable remuneration.

The development of CPS 511 has been an ongoing process over the last 3 years arising partly out of the findings of the Hayne Royal Commission and with increased emphasis on non-financial measures directly linked to governance, risk management and culture. Significantly longer retention periods are prescribed with provision for clawback of awards already vested if bad behaviours or excessive risk taking come to light within the prescribed periods. The new standard imposes much higher obligations on the boards and senior executives of APRA-regulated businesses (namely banks and other ADI's) for developing and implementing remuneration frameworks that meet these requirements than was previously the case.

A video record of the AGM can be found on the CBA web page or directly from <https://publish.viostream.com/app/s-n7prq7p>