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CBA has stellar year in difficult circumstances.

Company/ASX Code	Commonwealth Bank of Australia/CBA
AGM time and date	9:30am (AEDT) Wednesday 11 October 2023
Location	International Convention Centre, Darling Harbour
Registry	Link Market Services
Type of meeting	In-person with webcast and written online questions
Monitor	Lewis Gomes assisted by Julieanne Mills and Chad Moffiet
Pre AGM Meeting	Yes, with Chair Paul O'Malley and Melanie Kirk Investor Relations

Monitor Shareholding: Some of the individuals involved in the preparation of this voting intention have a shareholding in this company.

Summary of issues for meeting

CBA has again elected to not hold a hybrid meeting despite numerous representations from the ASA. There will be a simultaneous webcast with an ability for shareholders to submit written questions of limited length but there will be no online voting facility or voice questions. That is, shareholders unable to attend the meeting will need to lodge a proxy vote at least two days before the meeting, preferably via the ASA. In our meeting with the Bank, it was explained that managing voice questions by phone can be problematic when the questioner becomes long-winded or is seeking to pursue a personal matter of limited relevance to the meeting. ASA noted that every other major bank and most of the top ASX companies are able to offer and manage hybrid meetings without apparent difficulty. Nevertheless, ASA now has a better understanding of the Bank's position on this matter but will continue to argue for full hybrid meetings in future years.

The financial results for FY23 were exceptional given the social and economic impacts of many rapid increases in interest rates over the year and the clouded economic outlook. Customer hardship cases are expected to rise but the Bank seems to be well placed to handle these situations with active communications with affected customers.

Two existing directors, being Rob Whitfield and Simon Moutter, are seeking re-election which should be non-controversial.

ASA will be voting undirected proxies for the Remuneration Report (Resolution 3) and the Grant of Securities to the CEO (Resolution 4). While the actual remuneration received by the CEO is high by normal standards (just over $10 million), this report seeks to explain why ASA believes this amount is not unreasonable given it arises mostly from the vesting of shares awarded as rights some years ago and significant increases in the market value of those shares.

Proposed Voting Summary

No.	Resolution description	Voting
2a	Re-election of Rob Whitfield as a Director	For
2b	Re-election of Simon Moutter as a Director	For
3	Adoption of 2023 Remuneration Report	For
4	Approval grant of securities to CEO, Matt Comyn	For

Item (1) Consideration of financial statements and reports - No vote required

Governance and culture

The Bank reported "significant progress" in implementing the Remedial Action Plan required by APRA following the Hayne Royal Commission. The Plan focused on improving the Bank's governance, culture and accountability. The Bank also reset its cultural foundations including its purpose and values.

The Bank continues to look for ways to improve customer experiences and advocacy by investing in key areas such as cyber security, and protection from scams and fraud. The Chairman advised ASA in our meeting that it has seen a 30% reduction in scams and frauds amongst its customers but it continues to be a growing challenge in terms of the sophistication and reach of these operators who are often global players acting outside of recognised regulatory jurisdictions.

Importantly, the Bank recognises the impacts on its customers of rising cost of living pressures and interest rate increases on home loan costs. The Bank proactively reaches out to customers who may be or are in financial distress and works with them to ameliorate adverse consequences.

A skills matrix for the directors is presented in the Annual Report but individual directors are not identified, and the exercise is based on self-assessment which is then reviewed by the Nominations Committee and approved by the Board. ASA believes this matrix has limited value in objectively assessing director skills and experience. More useful information can be gained from the experience summaries presented for each director in the Annual Report and in the Notice of Meeting for those directors subject to election or re-election.

It is noted from the skills matrix that the Board is short of expertise in digital and technology (3 out of 10 directors) and environment and social (4 out of 10 directors). In our meeting with the Bank, it was acknowledged that more experience in digital and technology is needed on the Board but that such expertise is hard to find in people with relevant or suitable experience in public company directorships.

In FY23 the Board upgraded its expectations for digital and technology skills and experience to reflect the growing importance of data and analytics, digital transformation, cyber security and other technology risks. Future director nominations are likely to reflect this increasing emphasis.

Following an internal review in 2022 of Board and Executive Leadership Team (ELT) interactions, it was agreed that more informal engagement between the Board and ELT was an area of opportunity. Other areas of future focus include more time for unstructured discussion and

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opportunities for further education and study to contribute to the knowledge and understanding of each other's strengths, skills and experience.

The Board has 10 directors of whom 5 are female. CBA is aiming for 47-50% gender equality by 2025. It is moving in the right direction, but could improve the 12 person Executive Leadership Team, which is currently at 42%. The percentage of women in executive manager positions and above is 44%. The Executive Key Management Personnel (KMP) listed in the Annual Report comprises 10 employees (including the CEO) but has only 2 women in that grouping. Employee engagement remains high at 79%.

CBA has an "Elevate" Reconciliation Action Plan. It is aiming for indigenous representation of 3% within its workforce. This has been stuck at 1% for a couple of years now and needs addressing. An Indigenous Leadership Team was formed in 2022.

CBA supported the Uluru Statement from the Heart and supports an Indigenous Voice to Parliament. In making this decision they reflected on their positive experience of listening to First Nations voices, which has produced improved outcomes. The Chairman explained to ASA the Bank's reasoning for this support which is directed towards addressing the disadvantages that many First Nations people experience.

Financial performance

Net profit after tax (NPAT) on a cash basis (CBA's preferred measure of profitability) including discontinued operations was a record $10,182 million up 4.9% on the FY22 figure. The statutory NPAT was $10,090 million, down 6.3% on FY22 which had been boosted by significant gains on disposal of some businesses.

Basic earnings per share (EPS) on a cash basis was 602.6 cents while the declared total dividend for FY23 was 450 cents, again a record outcome for shareholders. The important net interest margin (NIM) increased 17 basis points (bps) on FY22 to 2.07% while the shareholder return on equity was 14.0%, up 130 bps on FY22.

Operating income was up 13% on FY22 while expenses rose 5% and investment spend rose 6%. The cost-to-income ratio fell nearly 300 bps to 42.8% from 45.7%. Staff expenses increased by 9% mainly driven by wage inflation and higher staffing levels from internalising some operations previously outsourced.

Of the four core businesses that CBA operates, the standout performer in terms of volume growth was business lending which increased by 11.4%, or 1.4 times system growth. The NIM for business lending was up 63bps to 3.60% and contributed 39% to Group profit. Retail banking, which contributed 51% of Group profit, grew at a modest 1.0 times system for a NIM of 2.64%, up 24 bps.

The Bank continued to satisfy a significant portion of its funding from customer deposits, accounting for 75% of total funding. By comparison, the deposit funding ratio during the GFC (June 2008) was only 55%. Also worth noting, the CBA's common equity tier 1 capital ratio (CET1) was 5.0% in 2008 compared with 12.2% today. The minimum CET1 required now by APRA is 10.25% which gives CBA headroom of about $9 billion in excess capital.

The Bank is carrying loan impairment provisions of $5.95 billion, up from $5.35 billion in FY22 reflecting the impact of cost of living pressures and rising interest rates. The current provision is $2.2 billion above its "central economic scenario".

The Bank continues to carry a number of legacy investments in its books including about $1 billion in a Chinese bank and nearly $600 million in a Vietnamese bank (refer Page 254 of the Annual Report). The Chairman advised ASA that the Bank is seeking to dispose of these investments but there are some complications in doing so. Several other investments are said to be of value to the Bank in building up its capabilities in digital banking and other technologies.

Key events

The Bank's capital position was supported during the year by strong organic capital generation, the removal of the remaining $500 million of APRA operational risk capital add-on and the divestment of Comminsure General Insurance.

The Bank also completed a $3 billion on-market buyback during FY23 and plans a further $1 billion on-market buyback during FY24.

The issue of auditor independence has become an increasing issue with the recently reported problems at PwC and its tax advisory unit. The Bank uses PwC as its auditor and has done so for many years. Audit and compliance fees for FY23 were approximately $41 million (refer Page 263 of Annual Report). In our meeting, the Chairman went to some length to explain their approach to managing PwC, noting that it has been many years since the Bank tendered these services. It is well understood that each of the Big 4 banks needs an auditor with significant skills and experience and there are only 4 such auditor groups in Australia. The Chairman went to some length to explain to ASA how it assesses value for money for these services and how it manages lead auditor rotation. The Bank has also engaged with the senior management of PwC to seek assurances that appropriate governance at PwC is in place.

Key board or senior management changes

Genevieve Bell has recently announced her intention to retire from the board to take up the role of vice chancellor at the Australian National University (ANU) in Canberra. ASA wishes her well and thanks her for her contribution to CBA. Genevieve is expected to retire at the end of October, after the AGM. Genevieve has a particular set of skills and experience in technology and its interactions with society and business which will be difficult to replicate. A search for a replacement will be initiated in the near future.

There have been no other changes made or contemplated to the board membership. Two directors are seeking re-election as discussed below.

Gavin Munroe was appointed Group Chief Information Officer responsible for oversight and management of all aspects of technology services for the Bank. He was granted a one-off cash award of $601,787 and an equity award of $601,889 each vesting over a 5 year period to compensate for awards foregone from his previous employer.

Pascal Boillat, previously the Group Chief Information Officer, left the Bank in November 2022 as a "good leaver" and retained his existing unvested deferred awards but received no awards for FY23.

Sustainability

CBA has been reporting against the Task Force for Climate Related Disclosures (TFCD) since 2018 and has embedded the Environmental & Social framework (E&S) into the business. This puts them at an advantage when mandatory reporting comes into effect in 2024. They have a clear and concise plan for a staged transition to net zero, with short, medium and long term goals and targets. They are also focused on providing support to their customers to transition to renewables.

This year the Bank expanded its sector level targets to include housing and the heavy industries of steel, alumina, aluminium and cement. All corporate lending decisions are subject to ESG risk assessment and a E&S framework. Certain customers will be required to have Paris aligned transition plans for their scope 1,2 & 3 and third party assurance from 2025.

The Board has oversight of ESG and remuneration is aligned to climate deliverables including: a reduction in financed emissions and partnerships to increase climate capability.

CBA is aiming for no project financing to new or expanded oil and gas, or infrastructure for that oil and gas, and no finance to coal funding by 2030 but these commitments are dependent on the security of our energy platforms which in turn are dependent on government policy support.

CBA is engaging with other stakeholders in partnerships and collaborations to develop climate reporting and climate advocacy and to develop carbon markets in support of the transition.

There is also a pilot in place for nature and biodiversity (TNFD) reporting in line with potential changes to future requirements. Overall, CBA shows responsible leadership in the support of a transition to a net zero economy by 2050.

5 Year Summary

(As at FYE)	**2023**	**2022**	**2021**	**2020**	**2019**
Cash NPAT ($m) (1)	10,182	9,708	8,801	7,407	8,701
Statutory NPAT ($m)	10,090	10,771	10,181	9,592	8,566
Share price ($)	100.27	90.38	99.87	69.42	82.78
Dividend (cents)	450	385	350	298	431
Simple TSR (%)	15.9	(5.6)	48.9	(12.5)	19.5
Cash EPS (cents)	602.6	563.7	496.9	418.8	492.7
CEO total remuneration, actual ($m)	10.426	6.969	5.174	3.896	3.412

(1) Includes contributions from discontinued operations.

Item (2) Re-election and election of directors

Mr Rob Whitfield AM

Mr Whitfield joined the Board of CBA in 2017 after a 30 year executive career at Westpac where he held a number of senior roles. He is currently a director of GPT Group and Transurban Limited and is a former chairman and director of NSW Treasury Corporation. Further details of Mr Whitfield’s experience and contribution to CBA are available in the Annual Report and Notice of Meeting.

ASA intends voting all undirected proxies in favour of his re-election.

Mr Simon Moutter

Mr Moutter joined the Board of CBA in 2020 and has extensive leadership experience in technology and business strategy. He was Managing Director of Spark New Zealand for 7 years and was previously a CEO of Auckland International Airport. Further details of Mr Moutter's experience and contribution to CBA are available in the Annual Report and Notice of Meeting.

ASA intends voting all undirected proxies in favour of his re-election.

Item (3) Adoption of the 2023 remuneration report

The remuneration framework as presented in the Annual Report is clear and transparent. Variable remuneration is assessed against financial and non-financial measures, and against group and individual performance. There have been some changes in FY23 to align with revised APRA guidelines (CPS-511) with a reduction in the 7-year vesting period to 6 years.

Key points to note:

- Fixed remuneration (FR) remained unchanged for 8 of the 10 KMPs including the CEO. Average increases across the KMP cohort were 1.3%.
- FY23 Short Term Variable Remuneration (STVR) outcomes were between 73% and !00% of maximum (being 94% of FR). STVR is delivered as 50% cash and 50% as equity delivered in two equal tranches over two years.
- FY23 Long Term Alignment Remuneration (LTAR) grants were awarded with no reductions but will be assessed prior to vesting in later years. LTAR could be considered as deferred pay in the form of equity delivered in two equal tranches at the end of four and five year restriction periods.
- FY20 Long Term Variable Remuneration (LTVR) vesting outcome was 92.5% reflecting TSR performance of 70^{th} percentile. LTVR is tested over 4 years and subject to a further 2 year holding period.
- FY23 realised remuneration for the CEO and 6 KMP incorporates the FY19 LTVR vesting at 100%. The face value of the awards at vesting was 39% higher than at the time of the grant due to an increase in the share price from $72.84 to $101.52 over that period.

The realised remunerations for FY23 for the KMPs are presented in the Annual Report. For the CEO the amount was $10.426 million of which almost half arose from vesting of long term awards and 76% of total rem was earned at risk.

As the Board monitored executive performances during FY23, it became apparent that rapidly changing macroeconomic factors, particularly interest rate increases, warranted a mid-year review of financial targets. The Board therefore exercised its discretion to increase the NPAT and PACC financial targets of the STVR which account for 40% of the STVR assessment. The results materially exceeded these more challenging targets which was a good outcome for shareholders.

All KMP have met their minimum shareholdings except for Gavin Munroe who is a very recent addition to the team and is expected to meet his target well within the specified time frame.

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There were no changes to director's fees or to their fee pool.

The remuneration framework and details are consistent with APRA's requirements and are judged as reasonable by ASA given the strong performance of the Bank over recent years. ASA will therefore be voting all undirected proxies in favour of this resolution.

Item (4) Grant of securities to CEO, Matt Comyn

The Bank is proposing to grant Mr Comyn 17,642 restricted share units as his FY24 LTAR and 17,642 performance rights as his FY24 LTVR award. These numbers are calculated from the maximum opportunity values of $1,750,000 for each award divided by the share price averaged over 5 days up to 1 July 2023 being $99.19. Refer to the table in the Appendix for further details of the remuneration framework. Details of how these awards are assessed and the relevant testing and holding periods are provided in the Annual Report and Notice of Meeting.

These awards are consistent with APRA's requirements and are judged as reasonable by ASA given the strong performance of the Bank over recent years. ASA will therefore be voting all undirected proxies in favour of this resolution.

Appendix 1

CEO remuneration framework detail for FY24

Rem component	Target $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	2.50	32	2.50	30%
STVR Cash 50% Year 1	0.9375	12	1.175	14%
STVR Equity 50% Year 2 & 3	0.9375	12	1.175	14%
LTAR- Restricted shares 50% Year 4 and 50% Year 5	1.75	22	1.75	21%
LTVR- Performance rights 50% Year 6 and 50% Year 7	1.75	22	1.75	21%
Total	7.875	100.0%	8.35	100%