# Basel III Pillar 3

## Annual Remuneration Disclosure as at 30 June 2023

Commonwealth Bank of Australia

# Contents

# 1 Introduction

This remuneration disclosure has been prepared in accordance with the Australian Prudential Regulation Authority's (APRA) Prudential Standard APS 330 Public Disclosure (APS 330) and the Hong Kong Monetary Authority Supervisory Policy Manual CG-5: 'Guideline on a Sound Remuneration System' (HKMA Guidelines).

Amongst other requirements, APS 330 requires all Authorised Deposit-taking Institutions (ADIs) to meet the minimum requirements for public disclosure of qualitative and quantitative information on their remuneration practices. The remuneration disclosures required under APS 330 are separate from the requirements applicable to all listed companies under the Corporations Act 2001, which is limited to Key Management Personnel (KMP). The qualitative and quantitative disclosure requirements in APS 330 apply to all Senior Managers and Material Risk Takers of the Commonwealth Bank of Australia Group (Group) for the 2023 financial year (year ended 30 June 2023).

In accordance with HKMA Guidelines, the remuneration arrangements of local CBA Hong Kong (HK) operations are disclosed as part of the Group Pillar III disclosure.

For the 2023 financial year, the following roles were determined to be Senior Managers and Material Risk Takers of the Group:

82

37

**Roles captured under APS 330[1]**

**Senior Managers**

All Senior Managers, which are also categorised as Responsible Persons and defined in the Group Fit and Proper Policy and all employees captured under the HKMA Guidelines.

**For the Group, this includes the following roles:**

a. The Chief Executive Officer (CEO) and all Group Executives (including the CEO ASB)[2];
b. Responsible Person Senior Managers of the Group and the Group's regulated subsidiaries; and
c. Senior Managers who have been identified as holding a manager role for HK banking licence purposes under HKMA Guidelines and in accordance with Hong Kong Banking Ordinance 72B.

**Material Risk Takers**

All roles (not captured as 'Senior Manager' and 'risk and financial control personnel') means a person whose activities have a material potential impact on the entity's risk profile, performance and long-term soundness.

**For the Group, this includes the following roles:**

Senior Leaders whose target annual variable remuneration meets specific quantitative thresholds and whose activities, individually or collectively, may have a significant impact on the Group's balance sheet and/or long-term financial soundness.

[1] Roles are defined in line with APS 330 and CPS 511. Roles captured as at 30 June 2023 or last role prior 30 June 2023 that is subject to disclosure. For the 2023 financial year, there were 82 Senior Managers and 38 Material Risk Takers.
[2] Including those considered KMP.

# 2 Qualitative Disclosures

## 2.1 Remuneration Governance

### 2.1.1 Remuneration Governance Framework

The People & Remuneration Committee is the governing body for developing, monitoring and assessing the remuneration strategy and framework across CBA on behalf of the Board, ensuring that these are appropriate and effective. The role of the People & Remuneration Committee is to review, challenge, assess and, as appropriate, endorse the recommendations made by management for Board approval. The Board reviews, challenges, applies judgement and, as appropriate, approves the People & Remuneration Committee's recommendations.

The People & Remuneration Committee met formally seven times during the 2023 financial year with the following members (as at 30 June 2023): Simon Moutter (Chair), Genevieve Bell AO, Peter Harmer, Paul O'Malley and Mary Padbury. The responsibilities of the People & Remuneration Committee are outlined in its Charter, which is reviewed annually. The charter is available at **commbank.com.au/peopleandremuneration**.

As part of the performance and risk review, and to support the determination of remuneration outcomes for the CEO and Group Executives, the People & Remuneration Committee meets concurrently with the Risk & Compliance, Audit, and Nominations Committees in February and June. These concurrent meetings provide an opportunity for the Committees to review and discuss relevant risk and audit matters that may warrant consideration in the People & Remuneration Committee's determination of remuneration outcomes, including any in year or malus adjustments or clawback for the CEO and Group Executives (including former Group Executives) and the determination of the Group wide short term variable remuneration (STVR) pool. Information provided to the concurrent meetings supports determination of collective and/or individual remuneration impacts and includes risk scorecards for the CEO and Group Executives, details of material risk matters, outcomes of internal audit reviews conducted during the year, and consideration of the quality of CBA's financial results.

The Risk & Remuneration Review Committee, a management committee that advises the Group CRO, oversees assessment of accountability for material risk matters, including those impacting CBA's reputation, and application of remuneration adjustments as appropriate for employees at and below the Executive General Manager level.

In line with New Zealand regulatory requirements, the performance and remuneration arrangements and outcomes for the CEO ASB, are determined and approved by the Board of ASB.

#### External advisors

During the 2023 financial year, external advisors were engaged to provide information to the People & Remuneration Committee to assist with making remuneration decisions. The People & Remuneration Committee did not seek or receive any remuneration recommendations from external advisors in the 2023 financial year.

### CBA's remuneration governance framework

Non-Executive Directors receive fees as compensation for their work on the Board and the associated Committees on which they serve. Non-Executive Directors do not receive any performance-related remuneration. The Chairman does not receive separate Committee fees.

**CBA Board**

**Board Committees**
Concurrent meetings are held to determine CEO and Group Executive risk, performance and remuneration outcomes.

**People & Remuneration Committee**
Oversees CBA's remuneration framework and assists the Board to ensure the Group's remuneration strategy and policy are appropriate and effective.

**Risk & Compliance Committee**
Advises the People & Remuneration Committee of material risk matters which may impact collective and/or individual remuneration outcomes.

**Audit Committee**
Assesses and advises the People & Remuneration Committee of any audit matters which may impact collective and/or individual remuneration outcomes.

**Nominations Committee**
Considers and reviews matters relevant to evaluating the performance of the CEO and reports the evaluation to the People & Remuneration Committee and the Board.

**Risk & Remuneration Review Committee**
Management committee that advises the Group Chief Risk Officer (CRO) on material risk matters, including any that may impact remuneration outcomes for Executive General Manager and below levels.

**Independent Remuneration Consultant**
The People & Remuneration Committee may engage external advisors to provide information to assist the Committee in making remuneration decisions.

Fees are reviewed and recommended to the Board at least every two years. The last increase to the Board and Board Committee fees for CBA's Non-Executive Directors was made in January 2022. Fees are inclusive of base fees and statutory superannuation. No changes to fees were made in the 2023 financial year.

As at 30 June 2023, the fee for the People & Remuneration Committee Chairman is $70,000 and the fee for People & Remuneration Committee members is $35,000 per annum, all inclusive of superannuation.

### 2.1.2 Remuneration Policy and Effectiveness

The Board and the People & Remuneration Committee are responsible for the Group Remuneration Policy (GRP) that sets out the Group's remuneration principles that guide the design of the Group's remuneration arrangements and relevant policies to manage remuneration within the Group's remuneration, performance and risk frameworks.

| Our reward principles | | | | | |
|---|---|---|---|---|---|
| Aligned with shareholder value creation | Market competitive to attract and retain exceptional talent | Reward sustainable outperformance and discourage poor performance | Recognise the role of non-financial drivers in longer-term value creation | Simple and transparent | Reflect the Group's strategy and values |

The GRP applies to all specified individuals and entities of the Group. Where offshore entities are subject to additional regulatory requirements under local regulation, the higher of either the GRP or local requirements is applied. The scope of the GRP covers:

- All employees, whether employed on individual contracts and/or covered by industrial instruments; and
- The CEO, Group Executives and Non-Executive Directors on the Group's Board and the Boards of any majority owned Group subsidiaries (including offshore entities).

All remuneration arrangements within the Group are governed by the remuneration delegation framework in accordance with the GRP. In order to support good governance and the relevance of the GRP in light of changing regulatory requirements and market conditions, the People & Remuneration Committee review the GRP at least annually (with changes approved by the Board), with the most recent review being undertaken during the 2023 financial year. The GRP review and assessment includes:

- Alignment with the Group's purpose, culture, values and strategy;
- Compliance with relevant legal and regulatory obligations; and
- The relevance of the GRP in light of changing market conditions.

The review carried out during the course of 2023 ensured that the GRP was compliant with all requirements under APRAs new Prudential Standard CPS 511 Remuneration.

The People & Remuneration Committee determined to conduct comprehensive GRP effectiveness reviews every three years, with defined scope reviews conducted in the intervening years. A defined scope GRP effectiveness review was undertaken during the 2022 financial year, which determined that the GRP is effective in most areas and is sustaining improvements made in the past two years. While this approach is consistent with the requirements for effectiveness reviews under CPS 511, the CPS 511 review would require to be operationally independent.

### 2.1.3 Independence of Risk and Financial Control Personnel

The majority of risk and financial control personnel (as defined in paragraph 57(b) of CPS 510) are employed in centralised Group functions. The performance and remuneration outcomes of these individuals are determined by the appropriate reporting / functional line manager within these functions to maintain independence from the businesses they support.

Individual variable remuneration outcomes are based on Key Performance Indicator (KPI) assessment (i.e. 'what was achieved') and Values and Risk Assessment (i.e. 'how it was achieved') outcomes. For risk and financial control personnel:

- KPIs must not compromise the independence of the individuals in these roles in carrying out their function;
- Financial KPIs may be linked to the Group's performance, but not to the Business Unit performance the employee/s advise/review;
- Non-financial KPIs may be linked to individual, team or Business Unit performance provided they are not related to areas where the individual performs a control function; and
- The ratio of annual variable remuneration to fixed remuneration should be appropriate, in line with the Group's Remuneration framework, where applicable.

## 2.2 Remuneration Framework

The Group's remuneration arrangements are designed to attract, retain and motivate exceptional individuals who embrace the Group's culture, values and can deliver on its strategy, in compliance with legal and regulatory requirements. The structure of remuneration arrangements for the majority of Group employees consists of the following components:

- Fixed Remuneration (FR); and
- Variable Remuneration (VR) (at risk), including STVR and, for the CEO and Group Executives, long-term alignment remuneration (LTAR) and long-term variable remuneration (LTVR).

| | | Variable Remuneration (VR) (at risk) | | |
|---|---|---|---|---|
| | **FR** | **STVR** | **LTAR** | **LTVR** |
| **Purpose** | Provides market competitive remuneration to attract and retain high quality talent while reflecting role scope and accountabilities. | Varies remuneration outcomes in line with material weighting to financial and non-financial outcomes across customer, leadership, strategy execution and shareholder measures.<br>The risk modifier adjusts overall STVR for how risk was managed. | Drives collective focus on increasing the value of CBA over time, and individual focus on leadership and strategy execution. | Varies remuneration outcomes in line with longer-term performance measures, with a focus on relative shareholder returns to support sustainable long-term shareholder value. |
| **Coverage** | All employees | Most employees are eligible to participate in STVR arrangements applicable to their position or contractual arrangement. | The CEO, Group Executives and a small number of other senior employees where applicable. | |
| **Structure** | Base Remuneration and superannuation | • VR instruments in FY23 included:<br>– Cash (deferred and non-deferred);<br>– Deferred shares / restricted share units (deferred equity); and<br>– Performance rights (deferred equity)<br>• Cash is the only instrument that can be paid upfront and not deferred. Some of the Group's arrangements allow for VR to be deferred as cash over an appropriate deferral period. | | |

| | | Variable Remuneration (VR) (at risk) | | |
|---|---|---|---|---|
| | **FR** | **STVR** | **LTAR** | **LTVR** |
| **Description** | • For the CEO and Group Executives: reviewed annually against relevant comparator group remuneration benchmarks; the primary comparator group is the other three major Australian banks.<br>• For other employees: reviewed annually within parameters set by the People & Remuneration Committee. The remuneration review takes into account any change in the scope performed by the individual, changes required to meet the principles of the GRP, internal equity and market competitiveness. | • Most employees are eligible to participate in STVR arrangements which recognise performance within the financial year. Performance is measured against the Group's values, risk assessment relevant to each role, and a balanced scorecard comprising financial and non-financial measures.<br>• Senior and some other employees defer a portion of STVR awarded over an appropriate period in compliance with the GRP and any applicable local legislation and/or regulations[3]. | • For the CEO: LTAR is awarded in the form of restricted share units that vest after a four and five-year restriction period in two equal tranches.<br>• For Group Executives: LTAR is awarded in the form of restricted share units that vest after a four-year restriction period.<br>• LTAR for the CEO and Group Executives is subject to a pre-grant assessment with downwards adjustments applied to reflect material issues. | • Vesting of the LTVR will be subject to the achievement of set performance hurdles and final Board approval.<br>• For the CEO: LTVR is awarded in the form of performance rights six years, subject to satisfaction of vesting conditions including performance conditions.<br>• For Group Executives: LTVR is awarded in the form of performance rights that vest after five years, subject to satisfaction of vesting conditions including performance conditions. |
| | | ***All deferred remuneration is subject to malus review before vesting.***<br>***All variable remuneration for the CEO, Group Executives and other employees required by regulatory requirements is also subject to clawback.*** | | |

## 2.2.1 Deferral of variable remuneration

The table below provides a summary of the main deferral arrangements applicable to different roles across the Group. Employees in more senior roles (that have the potential to receive higher VR) have a greater portion of their VR deferred.

| | |
|---|---|
| **All Employees** | • For all employees with a STVR award of AUD 150,000 (NZD 150,000 for ASB) or greater, one-third of their STVR is deferred into equity (as restricted shares / rights / cash[4]) vesting in three equal tranches over one, two and three years.<br>• Deferred STVR awards are subject to a malus review prior to vesting. |
| **Senior Leaders[5]** | • Senior Leaders includes Executive General Manager (EGM) and General Manager (GM) roles.<br>• Deferral of one-third of any STVR award into restricted shares / rights / cash[4] vesting in equal tranches over one, two and three years.<br>• Deferred STVR awards are subject to a malus review prior to vesting. |
| **CEO and Group Executives[5]** | • Deferral of 50% of any STVR award into restricted shares vesting in equal tranches after one and two years. Deferred STVR awards are subject to Board risk and reputation review, and malus and clawback provisions.<br>• For the CEO, the LTAR award is subject to a four and five-year restriction period, to vest in two equal tranches. The LTVR award is subject to a further two-year holding period after the end of the four-year performance period (i.e. vesting after six years).<br>• For Group Executives, the LTAR award is subject to a four-year restriction period. The LTVR award is subject to a further one-year holding period after the end of the four-year performance period (i.e. vesting after five years). |

[3] Applies to Senior Leaders, individuals with significant remuneration and other regulated roles that requires their STVR to be deferred in accordance with regulatory requirements.
[4] For offshore jurisdictions the deferred award is delivered as cash unless required by regulations to be deferred in equity.
[5] Deferral arrangements for Accountable Persons may vary from that stated where necessary for the Group to ensure compliance with its remuneration obligations under the Banking Act 1959 (Cth).

Vesting of equity-based awards are subject to the relevant Board-approved equity plan rules, or terms and conditions in the case of deferred cash, and are generally contingent upon:

- An individual not ceasing employment with the Group during the vesting period except in certain circumstances. If an individual's employment with the Group ceases due to resignation, or they are summarily terminated before the end of the vesting period, deferred STVR, LTAR and LTVR awards are forfeited unless the Board determines otherwise. Cessation of employment for other reasons (such as retirement, ill health separation, redundancy, mutual separation or death) will not affect eligibility (unless the Board determines otherwise) and unvested deferred STVR, LTAR and LTVR awards will stay on-foot and vest in the ordinary course. In such cases the terms and conditions of the award (other than continuity of service) continue to apply, including those relating to performance testing (in the case of LTVR awards[6]) and vesting (including conditions regarding malus and clawback);
- Realisation of original expected performance outcomes, in the case of deferred STVR;
- In case of LTVR, the performance hurdles need to be met and the performance rights remain on foot after performance testing are subject to a further holding period of 2 years for the CEO and for one year for the Group Executives and CEO ASB;
- For LTVR awards granted from the 2021 financial year, Executives who are dismissed during the holding period will forfeit all performance rights subject to the holding period. Where an Executive ceases for any other reason during the holding period, outstanding performance rights will continue to remain on foot for the original holding period(s);
- A review of any risk and compliance issues associated with any individual.

The Group's approach to VR deferral supports the Group's risk management framework. The Board retains its discretion to exercise malus or clawback, in certain circumstances, where it is determined that a Reduction Event has occurred.

## 2.3 Linking Remuneration to Performance

VR is directly linked to both short-term and long-term performance goals.

### 2.3.1 2023 financial year STVR performance measures

STVR awards for most employees are discretionary and informed by performance outcomes that include the Group’s values, risk expectations and a balanced scorecard to assess short-term Group, Business Unit and individual performance against specific KPIs. Individual performance outcomes for Values and KPIs inform the payment range available for STVR recommendations. The Risk assessment outcome informs whether an STVR reduction is required. Not fully meeting expectations for Values, Risk or KPIs has an impact on the STVR outcome, including the reduction of any STVR award to zero if appropriate.

Non-financial measures have a material weighting in balanced scorecards for all employees including the CEO and Group Executives. Scorecard weightings cover financial and non-financial measures linked to Group and Business Unit targets, and vary by role.

The Group guidance informing KPI development across the Group for the 2023 financial year includes four strategic categories: Shareholder, Customer, Leadership, and Business and Strategic Initiatives. The ‘Shareholder’ category (which contains any financial KPIs) has a maximum weighting of 40% for most employees in the Group. Exceptions are those roles which deal directly with retail banking customers, their managers and managers once removed, who have a maximum weighting of 33%.

[6] For the 2022 and 2023 financial year LTVR award, performance rights subject to the holding period will lapse if an Executive is summarily dismissed during the holding period. Where an Executive ceases for any other reason during the holding period the performance rights subject to the holding period will remain on-foot with dates unchanged.

Risk is an important factor in accounting for short-term performance. The Group uses Profit After Capital Charge (PACC), a risk-adjusted measure, as a key measure of financial performance. PACC takes into account the profit achieved, and also reflects the risk to capital that was taken to achieve it. Moreover, in managing risk, all employees are required to comply with the Group and relevant Business Unit Risk Appetite Statements and role-related policies and procedures which contribute to a positive risk culture.

The key 2023 financial year STVR scorecard performance measures for the CEO are outlined below:

| | Performance Category and measures | Weighting |
|---|---|---|
| Financial | **Shareholder**<br>• Group Cash Net Profit After Tax<br>• Group Underlying PACC | 40% |
| Non-financial | **Customer**<br>• Net Promoter Score outcomes for consumer, business and IB&M customers, with reference to complaints remediation | 15% |
| | **People and Leadership**<br>• Group Leadership measure results with a focus on talent and capability | 15% |
| | **Strategy Execution**<br>• Refinement of the Group's three year strategy with focus on customer, commercial, technology and risk priorities. Ongoing delivery of priority risk initiatives to strengthen our operating environment with greater data automation, simplification and risk capability.<br>• Progress on delivery of Group strategic priorities | 30% |
| | **STVR Modifiers**<br>Performance outcomes determined through assessment of the balanced scorecard are subject to the following assessments (gate/modifiers):<br>• **Risk and Reputation:** the Board has the discretion to adjust the CEO STVR outcome downwards including to zero where appropriate.<br>• **Values:** the Board has the discretion to adjust the CEO STVR outcome upwards or downwards including to zero where appropriate. | |

### 2.3.2 2023 financial year LTAR pre-grant assessment outcomes

The LTAR award value is subject to a pre-grant assessment with downward adjustments applied to reflect material issues. The assessment considers future financial factors and individual non-financial performance of leadership and strategy execution.

The 2023 financial year LTAR awards were granted at 100% of the award value. The CEO LTAR is delivered in two equal tranches and is subject to a pre vest assessment at the end of a four and five year restriction period ending 30 June 2026 and 30 June 2027 respectively. The LTAR for Group Executives and CEO ASB is subject to a pre vest assessment at the end of a four year restriction period ending 30 June 2026

The following table outlines the pre-grant assessment.

| Pre-grant assessment | Outcome |
|---|---|
| Forward-looking financial considerations | Met |
| Threshold level individual non-financial performance | Met |
| Board discretion to adjust grant value downwards | No adjustment required |
| **Pre-grant assessment outcome** | 100% |

Prior to vesting, LTAR awards are also subject to Board risk and reputation review, and should any issues be identified, the award may be reduced, including to zero. The Board has discretion to determine that some or all of the award will lapse in certain circumstances (Malus). The Board also has discretion to require the recovery (i.e. Clawback) of vested LTAR awards for serious and material matters as determined by the Board.

### 2.3.3 2023 financial year LTVR performance measures

The CEO and Group Executives are eligible to receive LTVR awards in the form of performance rights – each performance right entitles the participant to receive one CBA share (or cash equivalent at the Board's discretion), subject to meeting performance hurdles and vesting conditions.

The 2023 financial year LTVR award will be assessed entirely on relative Total Shareholder Return (TSR), measured against two equally-weighted comparator groups, over four years from 1 July 2022 to 30 June 2026:

- **General ASX peer group** – 20 largest ASX companies by market capitalisation at the beginning of the performance period, excluding resources companies and CBA.
- **Financial services peer group** – eight most comparable financial services companies listed on the ASX at the beginning of the performance period.

For the CEO, performance rights remaining on foot after performance testing will be subject to a further two year holding period (to 30 June 2028). For Group Executives and the CEO ASB, performance rights remaining on foot after performance testing will be subject to a further one year holding period (to 30 June 2027)

Prior to vesting, LTVR awards are also subject to Board risk and reputation review, and should any issues be identified, the award may be reduced, including to zero. The Board has discretion to determine that some or all of the award will lapse in certain circumstances (Malus). The Board also has discretion to require the recovery (i.e. Clawback) of vested LTVR awards for serious and material matters as determined by the Board.

## 2.4 Risk Management and Remuneration Consequences

The Group promotes disciplined, transparent and effective management of risk in delivering and measuring short-term and long-term performance by linking conduct, risk and compliance outcomes to VR outcomes. The risk assessment in performance process holds employees accountable for managing risks in accordance with the Group's Risk Management Approach and Risk Appetite. Outcomes from the risk assessment in performance process are used to adjust short-term and long-term VR outcomes for good and poor risk behaviours and outcomes, and in the case of STVR, act as a modifier.

The Group's Risk Management Approach sets out Board and Executive Leadership Team's expectations regarding how all employees should behave to identify, measure, monitor and act upon risks. Risk behaviours are guided by the Group's values. The Group Risk Appetite Statement articulates the type and degree of risk the Board is prepared to accept and the maximum level of risk that the Group must operate within to deliver long-term value to customers, communities, shareholders and employees. All Group employees are required to adhere to the Group Risk Appetite Statement, as well as to their Business Unit's Risk Appetite Statement.

The Board is mindful of the increasing focus of regulators and shareholders on ensuring risk-related matters that come to light subsequent to remuneration being awarded are appropriately factored into remuneration decisions. Enhancements to CBA's risk assessment processes and remuneration framework through guidance, procedures and governance continue to be a priority for management and the Board, including reinforcing the Board's expectations for managing risks in support of a positive risk culture.

### 2.4.1 Risk assessment in performance

The Group's performance and remuneration frameworks support and promote the mitigation of risks by holding individuals accountable for managing risks relating to their role and complying with the Group's Code of Conduct. These frameworks also support collective accountability for managing risks, and incorporate risk management through:

- Ensuring consideration is given to whether a risk adjustment should be made to the Group discretionary STVR pool funding having regard to a range of financial and non-financial current and future risk factors.
- Ensuring that all employees have a risk assessment included in their individual performance review (which can impact VR outcomes). Since the 2019 financial year, STVR outcomes have been reduced by a minimum of 10% for a 'partially met' risk assessment rating and 100% for a 'not met' risk assessment rating.
- Developing Group-wide risk assessment guidance, which is continually enhanced to help employees and people leaders consistently assess risk behaviours and outcomes, determine the appropriate level of STVR adjustments for not fully meeting risk expectations, and document the reasons for their assessment.
- Using Executive risk scorecards to support the risk assessment process for the CEO, Group Executives, EGMs and GMs.
- Deferring a mandatory portion of the VR for CEO, Group Executives, EGMs, GMs, Accountable Persons and other roles determined by the Board and individuals with significant VR outcomes. This deferred remuneration may be subject to malus adjustments as determined by the Board or its authorised delegate (such as the People & Remuneration Committee).
- The Group Risk & Remuneration Review Committee (RRRC) overseeing the application of variable remuneration reductions for risk matters for EGMs and all deferred award adjustments, and the operation of Business Unit RRRCs, which review VR reductions for material risk matters for GMs and below.

For the CEO and Group Executives, the Board considers the impact of risk matters on remuneration outcomes based on risk scorecards and information relating to material risk, financial and audit matters reported to the Concurrent Committee. The People & Remuneration Committee, together with the Risk & Compliance, Audit and Nominations Committees, consider this information when determining Executive remuneration outcomes (including for former Group Executives), including the application of reductions to in-year STVR, deferred remuneration, and LTAR and LTVR outcomes for risk and reputation matters.

### 2.4.2 Risk culture

The VR and consequence management frameworks are designed to reinforce behaviours supporting the disciplined management of risks as aligned to our target risk culture. The maturity of our risk culture continues to be assessed via the annual Board Risk Culture Assessment. The process, design and application of variable remuneration and consequences are an important influence on risk. The Recognition Award continues to recognise and reward employees rated ‘exceptionally managed’ for exemplary risk behaviours and outcomes.

### 2.4.3 Malus and clawback

Malus (the ability to reduce, and/or lapse granted variable remuneration before it has vested) and clawback (the recovery of variable remuneration that has been paid or vested) is embedded in our consequence management framework. Malus adjustments have been made to unvested deferred variable remuneration in relation to poor risk outcomes and/or misconduct. In the 2022 financial year, impacted employees received malus adjustments ranging from 21% to 100% as a result of poor risk outcomes. To the extent in-year or malus adjustments are insufficient to satisfy remuneration consequences determined by the Board, clawback may be applied to the variable remuneration awarded to of the CEO, Group Executives and other regulated roles of the Group in line with prudential requirements.

The time horizon of application has also been aligned to the latest APRA regulatory obligation, i.e., the Board may exercise clawback in relation to applicable roles for at least two years from the date of payment or vesting, including where the employment or engagement of the person has ceased.

## 3 Quantitative Disclosures

The following tables have been prepared in accordance with the quantitative requirements outlined in APS 330 and values are expressed in Australian Dollars (AUD):

- Table (a) provides a breakdown of the value of fixed and variable remuneration for Senior Managers and Material Risk Takers for year ended 30 June 2023, together with the 2022 financial year.
- Table (b) provides a summary of deferred cash and equity-based remuneration, including the total amount of outstanding awards, awards that have vested during 2023 financial year and any reductions due to ex-post explicit and implicit adjustments, alongside outcomes from the 2022 financial year.

### (a) Total Value of Remuneration Awards

| | Senior Managers[7] ($'000) | | Material Risk Takers[7] ($'000) | |
|---|---|---|---|---|
| | FY23 | FY22 | FY23 | FY22 |
| **Fixed Remuneration** | | | | |
| Cash-based (non-deferred)[8] | 37,291 | 37,496 | 13,522 | 18,394 |
| Other (non-deferred)[9] | 3,197 | 3,030 | 1,343 | 1,988 |
| **Variable Remuneration** | | | | |
| Cash-based (non-deferred)[10] | 17,013 | 19,122 | 7,959 | 16,247 |
| Cash-based (deferred) | 2,660 | 1,282 | 647 | 820 |
| Shares and share-linked instruments (deferred)[11] | 31,270 | 37,818 | 3,180 | 9,776 |
| Other[12] | 4 | 10 | 0 | 2 |

[7] 99 Senior Managers and Material Risk Takers received a variable remuneration award in relation to FY23. The Group does not provide guaranteed bonuses and consequently none were offered during FY23 to Senior Managers or Material Risk Takers. 8 retention and sign-on awards were made to Senior Managers and Material Risk Takers during FY23 (a total of $1,902,001). 0 termination payments were made to Senior Managers and Material Risk Takers (a total of $) during FY23.

[8] Includes base remuneration, superannuation contributions / pension payments and role allowances (where applicable).

[9] Includes annual leave and long service leave taken during the year.

[10] Value represents the cash portion of the STVR awards and any other cash payments (such as sign-on awards or retention awards). For the CEO and Group Executives, this value includes 50% of their total FY23 STVR award, with the remaining 50% deferred. For Accountable Persons, deferred remuneration requirements under the Banking Act were met, including for former Group Executives where applicable. For most other Senior Managers and Material Risk Takers, this value represents two-thirds of their total FY23 STVR award.

[11] Includes deferred STVR, LTAR and LTVR received as equity, and any other equity-based awards where applicable.

[12] This includes interest on deferred cash, and the grant of CBA shares through the Employee Share Acquisition Plan where applicable.

## (b) Deferred Remuneration

| | Senior Managers ($'000) | | Material Risk Takers ($'000) | |
|---|---|---|---|---|
| | FY23 | FY22 | FY23 | FY22 |
| **Outstanding Remuneration**[13] | | | | |
| Cash-based awards | 877 | 830 | 0 | 918 |
| Shares and share-linked instruments | 124,038 | 127,070 | 6,851 | 15,204 |
| Total Outstanding Remuneration (deferred) | 124,915 | 127,900 | 6,851 | 16,123 |
| Total amount of deferred remuneration vested[14] | 64,720 | 25,678 | 3,821 | 8,156 |
| Total amount of reductions due to explicit adjustments[15] | (322) | (3,470) | (264) | (3,046) |
| Total amount of reductions due to implicit adjustments[16] | 8,600 | (10,429) | 475 | (1,248) |

[13] All deferred remuneration is exposed to ex-post explicit and/or implicit adjustments. This includes the sum of all outstanding deferred cash and equity awards as at 30 June 2023. For all LTAR and LTVR awards and equity-based deferred STVR awards, this includes the total face value calculated using the Volume Weighted Average Closing Price (VWACP) of the Group's ordinary shares over the five trading days preceding 30 June 2023.

[14] Value of deferred cash and equity awards that vested during FY23. The value of the vested award is calculated using the VWACP of the Group's ordinary shares over the five trading days preceding the transaction date.

[15] Includes any reductions to awards that vested during FY23 due to revaluation of awards, downward adjustments to awards and award forfeitures. The value of the lapsed awards are calculated using the VWACP of the Group's ordinary shares over the five trading days preceding the transaction date.

[16] For FY23, this includes any reductions to the value of the total outstanding awards due to downward movements in CBA share price during the year. The reduction in value is calculated using the VWACP of the Group's ordinary shares over the five trading days preceding 30 June 2022 and 30 June 2023, respectively for the beginning and end values.

## 4 Key Terms

For the purposes of this remuneration disclosure, and to assist readers, key terms and abbreviations used in this remuneration disclosure as they apply to the Group have the meanings set out below.

| Term | Definition |
|---|---|
| **Accountable Persons** | Has the meaning given in the Banking Act 1959 (Cth). |
| **Board** | The Board of Directors of the Commonwealth Bank of Australia. |
| **CEO** | Managing Director and Chief Executive Officer. |
| **Executives** | Collective term referring to the individuals in the following Executive groups: CEO and Group Executives. |
| **Group Executive** | Senior direct reports to the CEO, including the CEO ASB. |
| **Individuals with Significant Variable Remuneration** | Individuals with Significant Variable Remuneration EGMs, GMs (or equivalent) and any employees within the Group whose Annual Variable Remuneration is equal to or greater than AUD 150,000 per annum (NZD 150,000 in New Zealand). |
| **Key Management Personnel (KMP)** | Persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity. |
| **Key Performance Indicators (KPIs)** | Quantitative and qualitative measures, agreed at the start of the performance year to communicate expected performance outcomes at the Group, Business Unit and / or team and individual level. |
| **Long-Term Alignment Remuneration (LTAR)** | Remuneration that is subject to a pre-grant and pre-vest assessment and vests subject to a restriction period, pre-vest assessment and any other conditions determined by the Board, generally after a period of four or five years. |
| **Long-Term Variable Remuneration (LTVR)** | Remuneration that may vest subject to the achievement of set performance hurdles and/or requirements, generally over a period of up to four years, and may include a further holding period of up to two years. |
| **Material Risk Taker (MRT)** | As defined in applicable regulatory requirements in jurisdictions in which the Group operates. In general, MRTs include those whose activities have activities have a material potential impact on the risk profile, performance and long-term soundness of the Group. |
| **Non-Financial Measures** | Measures that support the broader objectives of the Group Remuneration Framework, including risk management. |
| **Performance Rights** | Rights to ordinary shares in CBA (or at Board discretion a cash equivalent) granted under the LTVR award, subject to performance hurdles and from FY21 a holding period. |
| **Reduction Event** | A material event or circumstance that may give rise to the application of malus and/or clawback to variable remuneration. In determining whether circumstances give rise to a Reduction Event the Group will comply with regulatory requirements in the jurisdictions in which it operates. |
| **Restricted Shares / Rights** | Rights to ordinary shares or restricted shares in CBA granted under the Employee Equity Plan. These may be granted in respect of deferred STVR awards, sign-on awards and retention awards. |
| **Restricted Share Units** | Rights to ordinary shares in CBA (or at Board discretion a cash equivalent) granted under the LTAR and subject to vesting conditions. |
| **Senior Leaders** | Employees who have senior executive authority and responsibility within the Group, including employees who hold a position at EGM or GM level (or equivalent) within the Group. |
| **Short-Term Variable Remuneration (STVR)** | A Remuneration Arrangement that is granted with reference to the Group's, business unit and/or team and the individual's performance over one financial year or a specified/defined period within the year (e.g. bi-annual). |
| **Total Shareholder Return (TSR)** | TSR measures a company's share price movement, dividend yield and any return of capital over a specific period. |
| **Variable Remuneration (VR)** | Remuneration that is conditional on the achievement of objectives within a defined period (or otherwise). May include, but is not limited to, STVR, LTAR and LTVR, sign-on awards, retention awards, any other performance-based remuneration, and any other remuneration of an Accountable Person determine by APRA under the Banking Act to be variable remuneration. |