

## Chairman's Address

### 2021 Annual General Meeting

**Wednesday, 13 October 2021 SYDNEY:** Address by Catherine Livingstone AO, Chairman of the Commonwealth Bank of Australia, at the Bank's 2021 Annual General Meeting (AGM). The webcast of the AGM can be viewed at: [www.commbank.com.au/agm](http://www.commbank.com.au/agm).

*Check against delivery*

#### **A bank for all Australians**

When the Commonwealth Bank was established, just after Federation, its role was to be a bank for all Australians.

This role has never been more relevant than over the past year, with CBA having supported thousands of individual and business customers impacted by COVID-19.

And our purpose, of helping Australians improve their financial wellbeing, has also never been more relevant: we have sought to play a leadership role in enabling economic growth and prosperity, through supporting individual customers and communities.

#### **Support for Customers and the Economy**

As the pandemic persisted into the 2021 financial year, your Bank continued to defer repayments on home and business loans, and offered a wide range of support to customers. This helped alleviate financial pressure, for both individuals and businesses.

The pandemic has also been notable for governments, regulators and industry, working collaboratively:

- to implement support programs quickly;
- to help minimise the health, social and financial impacts of COVID-19; and
- to navigate a path to recovery.

CBA and other banks continued to provide data to help inform federal and state government decisions about support measures and packages.

To this end, the strength and stability of a well-capitalised, and well-regulated, banking sector has been a significant national asset.

Over the course of the pandemic, our customers have embraced digital banking in record numbers, which has helped us tailor our support, and improve our understanding of individual needs.

Sadly, we are aware that the current circumstances may have increased pressure on customers in vulnerable situations, including those experiencing domestic violence and financial abuse.

The Bank expanded its support for these customers, through its ground-breaking Next Chapter program. This includes:

- referrals to external support services where appropriate;
- providing safe banking support for people experiencing difficult, and often dangerous, situations; and
- access to free financial coaching and assistance.

CBA also provided financial, and non-financial, support to its people, most of whom worked remotely; and it is important to note that the Bank did not receive any JobKeeper payments.

### **A simpler better bank**

While managing the impact of the pandemic, the Bank has continued to implement its simpler, better bank strategy. This has included transforming itself over the past three years through its Remedial Action Plan, or RAP, which was implemented in response to APRA's 2018 Prudential Inquiry into our governance, culture and accountability.

As shareholders would recall, the Inquiry made 35 recommendations, and our RAP translated these into 177 milestones, with a three-year timetable, through to 30 June 2021, to design, implement and embed the changes.

The RAP has been the most extensive program of its kind undertaken by the Bank, and has led to fundamental changes in systems and processes, and resulted in widespread change in the Bank's culture.

In its final report, the Independent Reviewer, Promontory, observed that, "CBA has changed as an institution and the weaknesses called out by the Inquiry Report have been addressed by the program, and, in all cases, material improvements have been made."

These changes are enabling our people to provide better service to customers, manage risk more effectively, and better meet our compliance and regulatory obligations.

As Promontory also observed "the program implemented by CBA, to give effect to the Remedial Action Plan, was one of the most comprehensive reforms of corporate culture in recent Australian memory."

Nonetheless, we recognise that sustaining the hard-fought gains of the past three years will require a permanent commitment by the Bank at all levels. The effectiveness of the RAP will ultimately be



determined by how sustainable the changes become. We therefore have in place a formal Transition Plan, and an ongoing program of work to ensure that the progress achieved to date becomes enduring.

As a result of our progress, APRA has approved the lifting of \$500 million of the \$1 billion capital overlay it imposed in May 2018.

Alongside the RAP, we strengthened our Code of Conduct, which enshrines the standards we expect of our people; and we refined the Bank's values. These values, of Care, Courage and Commitment, represent the principles that guide our behaviour every day.

Cultural change has been further reinforced through the Remuneration Framework, in which outcomes include an individual's accountability and risk management performance.

For senior executives, a larger proportion of remuneration is now paid in the form of equity, for which the deferral periods have also been increased, to up to seven years for the CEO, to ensure that executive remuneration is more closely aligned with the longer-term returns for shareholders.

### **Sustainable outcomes for all stakeholders**

Turning now to the importance of sustainable outcomes.

We recognise that commercial, environmental and social outcomes are interconnected, and that balancing the interests of stakeholders involves achieving positive outcomes in all dimensions.

During the past year, we have strengthened our approach to sustainability, including updating our Environmental and Social Framework, which sets out, for our people, as well as our stakeholders, the standards we have set.

Of note, in relation to the social aspect of the framework, in March 2021, we published our first Modern Slavery and Human Trafficking Statement, which describes our approach to ensuring that our processes – including general banking, lending, financial crime detection and supply chain management – can identify and mitigate human rights abuses, including modern slavery.

The environmental dimension of the Framework, confirms that we are committed to playing our part in limiting climate change, in line with the goals of the Paris Agreement, and supporting the transition to net zero emissions by 2050.

During the year, the Board reviewed our progress on climate-related initiatives, and launched a Group-wide program to factor climate considerations into the way we do business.

We have developed products that help home loan customers reduce their emissions. These include low cost financing for energy efficient solutions, such as solar panels.

For business and institutional customers, we are providing products such as sustainability linked loans and Green Bonds.



There is extensive information on the Group's approach to climate challenges and opportunities in this year's Annual Report.

### **Strong business performance and capital position**

Turning now to our financial results.

Despite the challenging economic environment, the Bank performed well in the year to 30 June 2021, and has delivered attractive returns for shareholders.

The financial results reflect the significant investment in systems and capabilities, over the past three years, and the good progress and disciplined execution of our strategy.

Cash net profit after tax was up 19.8 per cent on the prior year, reflecting an improvement in economic conditions, and the strong operating performance of our core banking businesses.

During the year, the Bank continued its program of divestments of non-core businesses, in line with its strategy to become a simpler bank. The divestment program has now generated \$6.2 billion of excess capital since it began in 2018.

This capital helped produce a strong balance sheet, and, combined with strong organic capital generation, and disciplined capital management, resulted in a Common Equity Tier 1 capital ratio of 13.1 per cent at 30 June, well in excess of APRA's 'unquestionably strong' benchmark of 10.5 per cent.

The Board determined a final dividend of \$2.00 per share, taking the total dividend, for the year, to \$3.50 per share, fully franked, and resulting in \$6.2 billion of dividends for the past financial year.

Earlier this month we completed an off-market share buy-back which has returned a further \$6 billion to shareholders.

The buy-back received strong demand, and was significantly oversubscribed. All shareholders were treated equitably, and the buy-back was structured to ensure retail shareholders were not disadvantaged.

We believe that the off-market buy-back benefits all our shareholders, whether or not they participated. For shareholders who continue to hold their shares, the buy-back has reduced the number of CBA shares on issue, thereby supporting the future return on equity, earnings per share and dividend per share.

The dividends for the full year and the share buy-back will return more than \$12 billion to shareholders before the end of October.

### **Contribution to the economy**

I would like to take a moment to provide an additional perspective on CBA's contribution to the Australian economy, and to Australian households and businesses.



The Total Shareholder Return or TSR for the 2021 financial year was 48 per cent. The five year return was 72 per cent, and the 10 year return, 226 per cent.

CBA also paid \$6 billion in wages, salaries and superannuation to its over 40 thousand employees; and, as one of Australia's highest taxpayers, reported a tax expense of \$3.6 billion. The Bank also paid \$5.7 billion to suppliers, the vast majority of whom are Australian-owned SME businesses.

### **Board focus on mix of skills, experience and intellectual capacity**

Turning now to the Board.

The Board remains focussed on ensuring that it has the appropriate diversity of skills, experience and strategic thinking capabilities required to lead Australia's largest financial institution, and be at the forefront of digital banking.

Since last year's AGM, two new directors have been appointed.

In March, the Board welcomed Peter Harmer. Peter was previously Managing Director and Chief Executive Officer of IAG, where he drove digital innovation across the business. In addition to a focus on customer service, Peter has direct experience in dealing with the impact of climate change, and management of climate risk.

In September, the Board appointed Julie Galbo. Julie brings more than 20 years' experience in financial services, risk management, and compliance, with major European financial institutions. Julie is an experienced leader in strategy and implementation, and has also served as the deputy director of a European financial supervisory authority.

These appointments have further strengthened the mix of skills, knowledge and experience relevant to the Bank's strategic priorities, particularly in digital technology.

Julie Galbo and Peter Harmer are standing for election today. Anne Templeman-Jones and I are standing for re-election.

As advised at last year's AGM, Wendy Stops retired from the Board at the end of that meeting.

I would like to take this opportunity to thank my fellow directors for their continued support; and their commitment and contribution to the Board and the Bank.

### **A strategy for the future**

This year, reflecting the progress over the past three years, CBA has updated its brand, refined its core values, and evolved its strategy, to set out a more ambitious agenda to Build Tomorrow's Bank Today.

This strategy includes the development of new digital products and services, which reimagine the way financial services can be tailored to individual customers; and an ambition to provide a leading digital experience.



The strategy also reflects our purpose and values, with an explicit intent for the Bank to play a leadership role in Australia's economic recovery, by contributing to the nation's transition to a digital, and environmentally sustainable, economy, thereby underpinning the country's prosperity and social wellbeing.

In the year ahead, we will continue to focus on supporting our customers and communities, and maintain our commitment to delivering operational excellence, and a strong capital position, both of which will support sustainable returns for shareholders.

In aspiring to these ambitions, as the bank for all Australians, we recognise the importance of achieving a balance of outcomes for all stakeholders.

I would like to thank all of our customers and shareholders for their support and feedback.

I also thank our employees, who have demonstrated care, courage and commitment throughout the past year, in their determination to serve and support our customers.

And finally, I would like to acknowledge the outstanding leadership of our Chief Executive, Matt Comyn, whom I will now ask to address the meeting.

**- End -**

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The release of this announcement was authorised by Kristy Huxtable, Company Secretary.

**Danny John**

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