

[Date]

[Name]

Dear

### **Appointment as non-executive director**

#### **Appointment**

Following our recent discussion I am very pleased to confirm my invitation to you to join the Board of the Commonwealth Bank of Australia (**Bank**) as a non-executive director.

#### **Fellow directors**

Apart from myself as Chairman, your fellow directors are listed in the attached Schedule 1. A brief biography of each of us is set out in the Annual Report.

#### **Disclosure of interests and other relevant information**

Attached as Schedule 2 are the guidelines which have been adopted by the Board to assess the independence of directors of the Bank. In our discussions, you indicated to me that you regard yourself as an independent director within the framework of those guidelines. If your independent status as a director is lost or if any other circumstance arises which may affect your independent status, you must immediately disclose this to the Board.

As the Bank is a regulated financial services provider it is important that all directors will satisfy any “fit and proper” standards that may be required by the Australian Prudential Regulation Authority (**APRA**) from time to time. If there is any personal information that I may not already be aware of which could be relevant would you please advise me as soon as possible. Under the existing APRA Standard, the “fit and proper” assessment is required to be undertaken annually. If in the future there are any developments which may be relevant to your satisfaction of APRA’s standards from time to time, you will be expected to advise the Chairman as soon as possible and, if necessary, step down.

Should you propose accepting any directorship or other business, government or public appointment during your term as director, you should inform the Chairman prior to acceptance so that any possible conflict, regulatory or other implications can be considered.

## **Remuneration and expenses**

Each non-executive director is currently paid a standard annual fee of \$[ ] which is exclusive of statutory superannuation. In addition, an amount will be payable for committee membership as set out in the paragraph below entitled "Board committees". This fee is paid on the last day of the last month of each quarter. The payment of director remuneration is governed by rules 11.6 to 11.7 of the Bank's constitution.

You are entitled to be paid travelling and other expenses you properly incur concerning the Bank's affairs, including attending and returning from general meetings of the Bank or meetings of the Board or Board committees. It is the usual practice for the Bank to provide transport and accommodation for Directors in respect of Bank related business.

Flight booking and limousine transport may be arranged by telephoning the Board Clerk, on (02) 9378 3548. If you prefer to arrange your own transport please forward any invoices to the Board Clerk requesting reimbursement of costs.

We will arrange for your fees to be paid directly into a nominated bank account. Please give the Company Secretary the relevant details as soon as possible. The amount of the cash payment will be dependent on the extent of your participation in the Non-Executive Directors' Share Plan (**NEDSP**) as referred to in the next paragraph. The Bank's contributions for your statutory superannuation will be paid into the superannuation fund nominated by you. Please also give these details to the Company Secretary as soon as possible.

You will be required to acquire shares in the Bank through the mandatory application of 20% of your annual director's fees, including committee fees, under the NEDSP. In addition, Directors can elect to apply up to a further 80% of fees as shares under the NEDSP. Shares acquired under the NEDSP are purchased on-market at the prevailing market price and attract full dividend entitlements and voting rights. There are no forfeiture or vesting conditions attached to shares acquired under the NEDSP. You will, however, be restricted from selling shares allocated to you under the NEDSP, representing the mandatory 20% of fees, until the earlier of 10 years after acquisition or the cessation of your position as a director of the Bank. A holding restriction, to be nominated by you, will apply to any additional shares acquired under the NEDSP. That restriction must be at least 2 years and may be up to 10 years, unless you cease to be a director earlier. Further details regarding the operation of the NEDSP are contained in the plan documentation, a copy of which is enclosed.

Enclosed is an ATO Employment Declaration form which you may wish to use. I assume you will wish tax to be deducted at the highest marginal rate, but if not, the Company Secretary can discuss this with you before the first payment.

## **Term of appointment and vacation of office**

Following your appointment, you will hold office until the next annual general meeting of the Bank, at which time you will be eligible for election as a director. If elected at that meeting, you will be subject to retirement by rotation under rule 11.1 of the Bank's constitution, a copy of which is enclosed.

The Board has established a policy that directors retire after a period of service of 12 years (except where succession planning for the Chairman and appointment of the Chairman require an extended term).

The Board has in place a process for annually reviewing its performance, policies and practices. These reviews seek to identify where improvements can be made, and to assess the quality and effectiveness of information made available to directors. It is important that individual directors participate in such reviews. Every two years, or when determined appropriate by the Board, the annual review process is facilitated by an external consultant, with an internal review conducted in the intervening years. The annual review includes an assessment of the performance of the Committees and each director.

The results of the annual review and performance assessment are also used by the Board to determine its endorsement of the directors to stand for re-election at the next annual general meeting. The notice of AGM or other material provided to shareholders may include a recommendation as to your re-election, based on the Board's determination.

If you intend to resign as director, you should give the Chairman as much notice of your intention to resign or to not seek re-election as is possible in the circumstances so that the Board can revise the plan for succession of skills and experience on the Board. In addition to the matters prescribed by the Corporations Act, your office as a director of the Bank becomes vacant in the circumstances referred to in rule 11.9 of the Bank's constitution.

### **Board meetings**

Normally, there are 6 full board meetings per year held on the second Tuesday of February, April, June, August, October and December. In addition, a two day strategy discussion is held in March and education sessions and business visits are arranged for the months when no meeting is held. Board meetings are normally held in the Board Room on Level 2 of the Bank's head office at 48 Martin Place, Sydney from 8am until 4pm, although please allow for the possibility that meetings could be extended. Committee meetings are held on the Monday before each Board meeting. Alternative arrangements will apply in the case of the annual strategy session or any off-shore meetings and the Company Secretary will separately notify you of these details. A timetable of the Board meetings scheduled for the [ ] year is enclosed.

Board papers are distributed electronically. The Bank will provide you with a laptop for this purpose. The Board Clerk will contact you to arrange delivery and training.

### **Board committees**

As we discussed, it is proposed initially that you will be a member of the [ ] Committee. A copy of the charter for each of the Bank's Board committees is enclosed. You will be paid additional committee fees which are currently \$[ ] per year for your role as a member of the Committee.

### **Time commitment envisaged**

I anticipate that your duties as a non-executive director of the Bank and as a member of the [ ] Committee will involve a commitment of a significant number of hours each month. You will be expected to devote sufficient preparation time ahead of each board and committee meeting and to attend such ad hoc meetings as may be necessary and convenient.

Please consult with me before you accept any additional commitments which might conflict with, or impact on, the time you are able to devote to your role as a non-executive director of the Bank.

## **Indemnity, insurance and access to Bank documents**

I enclose a copy of the Bank's current D&O insurance policy. This policy will be extended to you from the date of your appointment. We also propose that you enter into a Deed of Indemnity on terms similar to those entered into with the current directors. A copy of the standard form of deed is enclosed. The deed also expands your rights, provided under section 198F of the Corporations Act, to inspect and make copies of the Bank's books.

## **Charters and policies**

In addition to the documents specifically mentioned above, I will forward to you copies of the following Bank charters and policies with which you should become familiar:

- The Bank's Constitution;
- Board Corporate Governance Guidelines:
  - Board charter;
  - Securities trading guidelines;
  - Guidelines for communication between the Bank and shareholders;
  - Taking of independent professional advice by directors; and
  - External Auditor Services Policy;
- Code of ethics entitled "Statement of Professional Practice";
- Equal Employment Opportunity Policy; and
- Occupational Health and Safety Systems.

From time to time, the Bank may adopt new policies in accordance with applicable prudential and governance requirements.

## **Notification of interests to ASX**

You will no doubt be aware that the Bank is required, under the ASX Listing Rules, to provide information in relation to a director's interests and transactions in the Bank's securities to ASX. The Bank must do this no more than 5 business days after a director's appointment and, subsequently, no more than 5 days after there is a change to a notifiable interest of a director.

There are prescribed forms for notification to ASX, principally Appendix 3X relating to the initial notification, a copy of which is enclosed, and Appendix 3Y relating to a change of director's interest. The Company Secretary will lodge Appendix 3Y returns on your behalf when there is a change in your interests, so that the Bank can comply with its obligations.

Under the Listing Rules, the Bank must make such arrangements with a director as are necessary to ensure that the director discloses to the Bank all the information it requires within the timeframes set by the Listing Rules. Would you please sign and date the enclosed Letter Agreement (which sets out the formal arrangements) as soon as possible and then forward it to the Company Secretary with the completed Appendix 3X so that the Bank can notify the ASX of your interest.

In addition, you will be required to provide to the Bank, from time to time, such information as is necessary to enable the Bank to comply with its reporting and regulatory requirements. Following your appointment, the Company Secretary will ensure the Australian Securities & Investments Commission and the London Companies House are notified of your current details in accordance with the requirements. The Company Secretary will notify APRA of such personal information relating to non-executive directors as is required by that body from time to time.

**Induction training and continuing education arrangements**

An induction program will be made available to you upon appointment to provide you with information regarding your role and duties as a director and details of the Bank's operations. You will note from the 2007 calendar, that a program is scheduled for 7<sup>th</sup> and 8<sup>th</sup> May. You will also be invited to participate in a refresher program on a regular basis.

The Board has also established a program of continuing education to ensure that members are kept up to date with developments in the industry both locally and at an international level. The continuing education program includes sessions with local and international experts in the particular fields relevant to the Bank's operations.

We look forward to welcoming you to our Board. Please feel free to contact me on [ ] or the Company Secretary on [ ] if you have any queries in relation to the above.

Yours sincerely

**John Schubert**  
Chairman

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**Acknowledgment**

I, [name] accept the terms of appointment set out in this letter.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

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## Schedule 2 – Independence Guidelines

The Board regularly assesses the independence of each Director. For this purpose an independent Director is a non-executive Director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment.

In addition to being required to conduct themselves in accordance with the ethical policies of the Bank, Directors are required to be meticulous in their disclosure of any material contract or relationship in accordance with the Corporations Act and this disclosure extends to the interests of family companies and spouses. Directors are required to strictly adhere to the constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the Corporations Act and the Bank's policies.

Each Director may from time to time have personal dealings with the Bank. Each Director is involved with other companies or professional firms which may from time to time have dealings with the Bank. Details of offices held by Directors with other organisations are set out in the Directors' Report and on the Bank's website. Full details of related party dealings are set out in notes to the Company's accounts as required by law.

All the current non-executive Directors of the Bank have been assessed as independent Directors. In reaching that determination, the Board has taken into account (in addition to the matters set out above):

- The specific disclosures made by each Director as referred to above;
- Where applicable, the related party dealings referable to each Director, noting that those dealings are not material under accounting standards;
- That no Director is, or has been associated directly with, a substantial shareholder of the Bank;
- That no non-executive Director has ever been employed by the Bank or any of its subsidiaries;
- That no Director is, or has been associated with a supplier, professional adviser, consultant to or customer of the Bank which is material under accounting standards; and
- That no non-executive Director personally carries on any role for the Bank otherwise than as a Director of the Bank.

The Bank does not consider that term of service on the Board is a factor affecting a Director's ability to act in the best interests of the Bank. Independence is judged against the ability, integrity and willingness of the Director to act. The Board has established a policy limiting Directors' tenures to ensure that skill sets remain appropriate in a dynamic industry.