

Second-Party Opinion

Commonwealth Bank of Australia Green, Social and Sustainability Funding Framework

Evaluation Summary

Sustainalytics is of the opinion that the Commonwealth Bank of Australia Green, Social and Sustainability Funding Framework is credible, impactful and aligned with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds¹ are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 2, 3, 4, 6, 7, 9, 11, 12 and 13.



PROJECT EVALUATION AND SELECTION CBA's Green, Social and Sustainability Funding Steering Committee will review and approve the potential eligible assets under the Framework, identified by each business unit at CBA. The Commonwealth Bank of Australia Group's Environmental and Social Policy and its Risk Management Framework are applicable to all allocation decisions made under the Framework. Sustainalytics considers CBA's risk management systems to be adequate and the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS CBA's Post Deal Management Team in its Treasury Department will be responsible for the management and allocation of proceeds to eligible projects, with oversight from the Green, Social and Sustainability Funding Steering Committee. The Bank will use its internal tracking system to track and report the allocation of proceeds using a register of eligible assets and intends to allocate the proceeds within 24 months of issuance. Pending allocation, proceeds may be temporarily held in cash, cash equivalents or other liquid marketable instruments with CBA's treasury and in accordance with its liquidity policies. This is in line with market practice.



REPORTING CBA commits to report on the allocation of proceeds in its Green, Social and Sustainability Impact Report on its website on an annual basis until full allocation. In addition, CBA is committed to reporting on the estimated environmental and social impacts of the use of proceeds using relevant impact metrics. Sustainalytics views CBA's allocation and impact reporting as aligned with market practice.

Second-Party
Opinion



Reviewed by:

MORNINGSTAR

SUSTAINALYTICS

Evaluation Date February 02, 2024

Issuer Location Sydney, Australia

Report Sections

Introduction.....	2
Sustainalytics' Opinion	3
Appendix	18

For inquiries, contact the Sustainable Corporate Solutions project team:

Nilofur Thakkar (Mumbai)

Project Manager

nilofur.thakkar@sustainalytics.com

Sumaiya Waheed (Mumbai)

Project Support

Ankita Mani (Mumbai)

Project Support

Greg Thong (Sydney)

Client Relations

susfinance.apac@sustainalytics.com

(+852) 3008 2391

¹ Eligible use of proceeds categories: Renewable Energy; Energy-Efficient Commercial Buildings; Energy-Efficient Residential Buildings; Low-Carbon Transport; Sustainable Water; Pollution and Waste Management; Land and Agriculture; Climate Change Adaptation; Affordable and Social Housing; and Other Social Assets (including Health, Healthcare and Well-being, Education and Vocation, Affordable Basic infrastructure and Employment Generation).

Introduction

Commonwealth Bank of Australia (“CBA” or the “Bank”) is a multinational bank with operations spanning across Australia, Asia, Europe and North America, as well as New Zealand.² Headquartered in Sydney, Australia, the Commonwealth Bank Group³ employs approximately 52,000 people⁴ and provides retail, business and institutional banking services.

CBA has developed the Commonwealth Bank of Australia Green, Social and Sustainability Funding Framework, dated February 2024 (the “Framework”), under which it intends to issue sustainable funding instruments, such as unsecured senior or subordinated bonds, covered bonds,⁵ asset-backed or residential mortgage-backed securities, short-term debt instruments⁶ including Euro medium-term notes, non-convertible debentures, certificate of deposits,⁷ deposits and liabilities including commercial papers and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to contribute to the transition to a low-carbon economy and support the socio-economic development of Australia. The Framework defines eligibility criteria in 10 areas:

Green categories:

1. Renewable Energy
2. Energy-Efficient Commercial Buildings
3. Energy-Efficient Residential Buildings
4. Low-Carbon Transport
5. Sustainable Water
6. Pollution and Waste Management
7. Land and Agriculture
8. Climate Change Adaptation

Social categories:

9. Affordable and Social Housing
10. Other Social Assets (including Health, Healthcare and Well-being, Education and Vocation, Affordable Basic Infrastructure and Employment Generation)

CBA engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP) and Social Bond Principles 2023 (SBP).⁸ The Framework has been published in a separate document.⁹ The Framework builds on a previous framework for which Sustainalytics provided a Second-Party Opinion dated February 2022.

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent¹⁰ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

² CBA, “International locations”, at: <https://www.commbank.com.au/about-us/our-company/international-branches.html?ei=abt-international-branches>

³ The Commonwealth Bank of Australia and its related bodies corporate are collectively referred to as the “Group”.

⁴ CBA, “Our history”, at: <https://www.commbank.com.au/about-us/our-company/history.html>

⁵ CBA has confirmed to Sustainalytics that covered bonds will be secured green or social standard bonds as per the voluntary process guidelines published in the June 2022 Appendix 1 of the GBP 2021. CBA has additionally committed to ensuring that there will be no double counting of any outstanding green financing.

⁶ To ensure that the short-term debt instruments issued under the Framework align with ICMA principles, the Bank will establish: i) early-warning indicators to monitor percent buffer and ensure sufficient issuance capacity, thereby committing to continual allocation; and ii) an allocation period of 24 months.

⁷ For certificate of deposits issued under the Framework: i) an amount cap for deposits will apply to ensure that the deposit amount will not exceed the amount of loans at any points of time and the matured loans in the underlying portfolio will be replenished; ii) the allocation timeframe will be shorter than the term of the deposits; and iii) CBA ensures no double allocation of proceeds from deposits and other instruments issued under the Framework.

⁸ The Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

⁹ The Commonwealth Bank of Australia Green, Social and Sustainability Funding Framework is available on CBA Australia’s website at: <https://www.commbank.com.au/sustainabilityinstruments>.

¹⁰ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.15, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of CBA's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. CBA representatives have confirmed (1) they understand it is the sole responsibility of CBA to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and CBA.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that CBA has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Commonwealth Bank of Australia Green, Social and Sustainability Funding Framework

Sustainalytics is of the opinion that the Commonwealth Bank of Australia Green, Social and Sustainability Funding Framework is credible and impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy; Energy-Efficient Commercial Buildings; Energy-Efficient Residential Buildings; Low-Carbon Transport; Sustainable Water; Pollution and Waste Management; Land and Agriculture; Climate Change Adaptation; Affordable and Social Housing; Other Social Assets (including Access to Health, Healthcare and Well-being; Education and Vocation; Affordable Basic Infrastructure and Employment Generation) – are aligned with those recognized by the GBP and SBP.
 - CBA has defined a look-back period of three years for refinancing operating expenditures under the Framework, which Sustainalytics considers to be in line with market practice.
 - Under the Framework, CBA intends to use the proceeds to finance and refinance loans and contingent facilities towards social eligible assets, including: i) existing assets and assets in

construction; ii) CBA's own expenditures to social projects; and iii) entities that derive 90% or more of their revenue from activities that comply with the social eligibility criteria in the Framework. Sustainalytics notes that the social categories have clear target populations and considers that organizations dedicated to the defined social categories have a positive social impact.

- Sustainalytics notes that CBA has committed to ensuring that there is no double-counting of financed projects and assets across all allocation and impact reporting commitments made under the Framework.
- Under the Renewable Energy category, CBA may finance or refinance loans and contingent facilities¹¹ to entities for manufacturing equipment, development, construction, operation, distribution, and maintenance of onshore and offshore renewable energy projects. These include:
 - Wind projects
 - Solar photovoltaic, concentrated solar heat and power generation (CSP) and solar thermal. For CSP and solar thermal, Sustainalytics notes that the majority of electricity (more than 85%) generated is derived from solar sources.
 - Marine renewables such as tidal or ocean currents or ocean thermal energy. Sustainalytics notes that for ocean thermal, fossil fuel backup will be limited to power monitoring, operating and maintenance equipment, and restart capabilities.
 - Hydropower projects as follows: i) run-of-river without an artificial reservoir or with low storage capacity; ii) hydropower facilities that became operational before 2020 will have a power density greater than 5 W/m² or a life cycle carbon intensity below 100 gCO₂e/kWh; or iii) hydropower facilities that became operational after 2020 will have a power density greater than 10 W/m² or a life cycle carbon intensity below 50 gCO₂e/kWh.
 - Sustainalytics notes that all new hydropower projects will undergo an environmental and social impact assessment conducted by a credible body to ensure that no significant environmental and social risks, negative impacts, or controversies have been identified, and that the Framework will exclude new hydropower projects involved in significant environmental or social controversies.
 - Geothermal projects with direct emissions below 100 gCO₂/kWh.
 - Landfill gas capture projects from closed or decommissioned landfills with high gas capture efficiency (75% or more). Sustainalytics notes that the landfill gas capture projects will exclude financing of landfill gas capture intended for flaring. Sustainalytics notes that recovering methane produced from a closed landfill will not prolong the lifespan of the landfill and is a key strategy to reduce methane emissions from waste.
 - Solar, wind and hydro power equipment, such as panel installations, solar panels, batteries and transmission infrastructure, including inverters, transformers and control systems dedicated to renewable energy for small-scale projects.
 - Providing general purpose loans to i) pure play entities that derive at least 90% of their revenues from renewables; or ii) in case revenue by generation type is not reported, to pure play utility entities that generate, transmit or sell electricity from renewables to customers. The Bank has confirmed to Sustainalytics that financing will be limited to utility companies that generate 90% or more electricity from renewables (in kWh) regardless of the generation capacity of the facility.
 - Development and operation of the following equipment and infrastructure fully dedicated to renewable energy: i) transmission and distribution (T&D) networks for renewable energy, including components such as overground T&D lines, conductors, insulators, transmission lines on high-voltage interconnected systems, distribution systems and distributed assets, including fuses, circuit breakers, disconnectors, reactors, capacitors and transformers; ii) energy storage, such as battery storage,

¹¹ Under the Framework, loans and contingent facilities made to a parent company may be considered eligible if the CBA product is to be used for assets, projects or subsidiaries of the counterparty that meets the eligibility criteria of the Framework.

hydrogen¹² storage, pumped hydro, flywheels, compressed air energy storage; and iii) manufacturing facilities fully dedicated to onshore and offshore development of renewable energy technology, including PV cells, CSP dishes, troughs and wind turbines, as well as transmission infrastructure and support facilities, such as transformers, transmission terminus, grid connections, facilities dedicated to renewable energy support vessels and vehicles, equipment storage and onshore assembly. In relation to these activities, Sustainalytics notes that:

- Electrical grids intended shall support or integrate at least 90% renewable energy. If renewable electricity makes up less than 90% of the electricity transmitted in the grid, more than 67% of the newly enabled generation installed capacity in the system must have an emissions intensity below 100 gCO₂e/kWh measured on a life cycle basis over a rolling five-year period in accordance with the above electricity generation criteria.
 - All energy storage projects financed under the Framework will be connected to renewables.
 - Battery storage may be used for commercial use and charging equipment.
 - All new pumped hydropower projects will undergo an environmental and social impact assessment conducted by a credible body to ensure that no significant environmental and social risks, negative impacts or controversies have been identified. The Framework excludes new pumped hydropower projects involved in significant environmental or social controversies.
 - CBA has confirmed to Sustainalytics that the Framework will exclude financing of: i) new T&D network connected to fossil fuel power plants; and ii) power-to-gas projects where CO₂ is sourced from fossil fuel operations.
- Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Energy Efficient Commercial Buildings category, CBA may finance or refinance loans and contingent facilities towards the development or retrofit of new or existing commercial buildings, according to the following criteria:
- Buildings that have achieved or are expected to achieve one of the following minimum certification levels: i) NABERS (5 stars or above);¹³ ii) Green Star (5 stars or above);¹⁴ or iii) BREEAM (Excellent).¹⁵ Sustainalytics views these certifications to be credible and the levels selected as aligned with market practice.
 - Buildings in the top 15% of the buildings by emissions performance for similar buildings in the respective city, in accordance with the applicable Climate Bonds Standard criteria for commercial buildings.¹⁶
 - Retrofit or renovation of existing buildings that results in: i) a 30% improvement in energy efficiency over the initial or pre-retrofit performance; or ii) the achievement of the level of certifications considered eligible under the Framework. CBA has confirmed to Sustainalytics that: i) only the retrofits will be financed and not the asset value of the building; ii) the expenditures related to retrofits and the asset value may be financed or refinanced only if the refurbishment or retrofit results in the achievement of the level of certification considered eligible under the Framework.
 - Investments that result in improvements to the energy efficiency of buildings, such as energy-efficient window treatments, low e-glazing, floor, as well as roof and cavity wall insulation.¹⁷
 - Sustainalytics notes that the Framework excludes the financing of buildings used for storage, extraction or manufacturing of fossil fuels.

¹² Hydrogen derived from electrolysis of water powered by renewables.

¹³ NABERS: <https://www.nabers.gov.au/ratings>

¹⁴ Green Star: <https://new.gbca.org.au/green-star/rating-system/>

¹⁵ BREEAM: <https://bregroup.com/products/breeam/>

¹⁶ CBI, "Location Specific Criteria for Commercial Buildings & Calculator", (2023), at:

<https://www.climatebonds.net/standard/buildings/commercial/calculator#calculator>

¹⁷ Energy-efficient technologies must follow the Australian/New Zealand Standard AS/NZS 4859.

Standards Store Australia, "AS/NZS 4859.1:2018", at: <https://store.standards.org.au/product/as-nzs-4859-1-2018>

- Sustainalytics further notes that the apportionment shall be undertaken on loans with multiple underlying securities, such that the financing will be limited to securities that satisfy the eligibility criteria under the Framework.
 - Sustainalytics considers investments under this category to be aligned with market practice.
 - Under Energy Efficient Residential Buildings, CBA may finance or refinance mortgage loans towards new construction or renovation of existing residential buildings, according to the following criteria:
 - Construction loans for buildings that meet the NatHERS thermal efficiency rating (7 star or above), resulting in energy-efficient buildings in top 15% of buildings in emissions performance in Australia.¹⁸
 - Procurement and installation of products that result in the improvement of the energy efficiency of residential buildings, including: i) solar panels, battery packs, electric heat pumps, hot water systems, electric vehicle charging stations, and electric cooking equipment replacing gas equipment; ii) components that support solar PV panels and batteries, such as smart thermostats, hot water control, lighting control, smart plugs for appliances and equipment control; iii) home automation systems for the purpose of improving energy efficiency, such as energy-efficient window treatments, LED lighting and virtual power plants.¹⁹
 - The Bank has confirmed it will exclude financing of heat-pumps with high global warming potential (GWP). Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Nevertheless, Sustainalytics recommends the Bank to prioritize financing of heat pumps that promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life.
 - Sustainalytics notes that EV charging stations will exclude financing of parking facilities.
 - Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Clean Transportation category, CBA may finance or refinance loans and contingent facilities towards low-carbon transport and related infrastructure, as follows:
 - Low-carbon private and public vehicles, such as electric or hydrogen passenger and freight vehicles; electric off-road machinery and engines, such as electric forklifts, electric golf carts, and electric scissor lifts, electric or hydrogen buses, non-diesel rolling stock and electrified trams, trolley buses and cable cars.
 - Sustainalytics notes that CBA intends to finance only electric or hydrogen fueled vehicles under this category. In addition, financing of non-road vehicles, is specifically intended for replacement of fossil fuel powered vehicles to electric or zero emissions.
 - Supporting infrastructure, such as: EV charging stations, alternative fuel infrastructure and batteries, infrastructure for electrified transport such as bus rapid transit systems; pedestrian and cycling infrastructure, such as bike lanes; infrastructure for electrified freight rail and fully electric fixed ground power and pre-conditioned air systems at airports.
 - CBA has confirmed to Sustainalytics that the Clean Transportation category excludes investments in: i) new construction and existing road infrastructure retrofits, including roads and bridges; ii) parking facilities; and iii) fossil fuel stations or other assets that prolong fossil fuel lock-in.
 - Sustainalytics notes the following exclusions under the Framework:
 - Fossil fuel-based transportation, supporting systems and infrastructure, and transportation dedicated to fossil fuel transport.
 - Systems and infrastructure dedicated to the transportation of fossil fuels.

¹⁸ NatHERS ratings (7 star or above) will be used as an energy efficiency measure and not viewed as a green building certification scheme.

¹⁹ Virtual power plants are networks of decentralized power generating units, storage systems and flexible demand that can optimize the aggregation of distributed resources across large areas by using advanced data analytics, such as machine learning.

- Freight trucks and tank containers dedicated to the transport of fossil fuels or fossil fuels blended with other fuels.
 - Rail lines and operations where fossil fuels account for more than 25% of freight (by tkm).
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Sustainable Water and Wastewater Management category, CBA may finance or refinance loans and contingent facilities towards activities aimed at improving water quality, distribution efficiency and conservation. These activities may include:
 - Water treatment infrastructure, including wastewater treatment systems and desalination plants. CBA has confirmed to Sustainalytics that:
 - Water treatment facilities financed under the Framework will be powered by low-carbon sources, such as renewables.
 - Eligible wastewater treatment projects will exclude treatment of wastewater from fossil fuel operations (such as produced water from fracking).
 - Eligible desalination plants will: i) have an appropriate waste management plan for brine disposal; ii) be powered by low-carbon sources with an average carbon intensity of the electricity (sourced through PPA) used for desalination at or below 100 gCO₂e/kWh;²⁰ and iii) exclude integrated water and power plants (IWPP) with fossil fuel power.
 - Sustainalytics considers these expenditures to be in line with market practice.
- Under the Pollution Prevention and Control category, CBA may finance or refinance loans and contingent facilities related to municipal and commercial activities that contribute to soil remediation, waste prevention and collection (excluding hazardous waste), waste reduction and waste recycling as follows:
 - Development, operation and upgrade of waste collection and recycling facilities:
 - For commercial waste, including construction and demolition waste, rubber, metals, soil waste and tyres through mechanical processing.
 - For activities pertaining to waste collection and recycling of mixed residual waste such as metals, plastic or paper, rubber and wood, CBA has confirmed that: i) segregation of recyclables will be ensured at source; ii) the Bank may finance fully electric or hydrogen-powered waste collection vehicles; iii) it will exclude financing of hazardous and electronic waste management under the Framework.
 - Chemical recycling of plastic only in cases where: i) mechanical recycling is not feasible; ii) life cycle emissions of the recycled plastic are lower than virgin plastic production; iii) projects are not intended for single-use consumer products; and iv) projects are not intended for plastic to fuel conversion.
 - Regarding soil remediation projects, CBA has communicated to Sustainalytics that the Framework may finance soil remediation projects, excluding those projects resulting from contamination or negative environmental impacts from the Bank's or borrowers' own activities. The Framework may finance organic waste treatment, composting and waste-to energy power projects, limited to projects using food waste and forestry and agriculture residues as feedstock. CBA has communicated to Sustainalytics that the Framework excludes waste from non-RSPO²¹ certified palm oil operations.
 - Landfill gas projects for energy generation from closed landfills with 75% or more gas capture efficiency. Sustainalytics notes that recovering methane produced from a closed landfill will not prolong the lifespan of the landfill and is a key strategy to reduce methane emissions from waste. The Bank has confirmed to Sustainalytics that plastics, rubber, tyre-derived fuels and landfill gas capture for flaring will be excluded.

²⁰ Sustainalytics notes that the electricity procured through PPA at or below 100 gCO₂e/kWh used in desalination plants in alignment with the Climate Bonds Standard criteria for desalination projects.

Climate Bonds Initiative, "Water Infrastructure Criteria under the Climate Bonds Standard Criteria Document", (2022), at: https://www.climatebonds.net/files/files/Water%20Criteria%20Document%20Final_100822.pdf

²¹ RSPO: <https://rspo.org/as-an-organisation/our-standards/>

- Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Land and Agriculture category, CBA may finance or refinance loans and contingent facilities towards practices that result in reducing emissions from agriculture in accordance with the Climate Bonds Standard.²² These include: i) fertilizer use; ii) management of soil for net carbon sequestration; iii) management of biomass for net carbon sequestration; iv) energy, including energy embedded inputs; and v) residue management, according to the following criteria:
 - With regard to fertilizer use, CBA has confirmed that the activities: i) involve no or minimal use of synthetic pesticides or fertilizers; ii) exclude purchase and distribution of inorganic or synthetic fertilizers, pesticides and herbicides; iii) exclude manufacturing of synthetic fertilizers from fossil fuels; and iv) pertain to individual measures at farm level and not general-purpose financing for certified agriculture units.
 - Management of soil and biomass for net carbon sequestration through activities such as no-till farming, erosion control measures, reduced tillage intensity, cover crops, crop rotation and inputs of organic matter to soil.
 - With regard to energy including energy embedded inputs, CBA intends to finance activities, such as energy-efficient traction, drip irrigation and storage for energy efficient agricultural activities. The Bank has confirmed that: i) energy-efficient traction and irrigation will be electricity driven, will not be dependent on fossil fuels and will exclude provision of water for fossil fuel operations, fracking, nuclear and mining; and ii) measures or systems will only be deployed for agricultural purposes, and not landscaping projects introducing invasive species or drought-tolerant species as a result of modified genetics.
 - Under residue management, CBA intends to finance sustainable agricultural practices that reduce the tillage frequency such as ridge-tillage, and measurement and management of crop residue.
 - Sustainalytics notes the following exclusions under the Framework:
 - Purchase and distribution of inorganic or synthetic fertilizers, pesticides and herbicides
 - Projects related to industrial-scale meat production and industrial-scale livestock management
 - Financing of, or equipment running on fossil fuels.
 - Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Climate Change Adaptation category, CBA may finance or refinance loans and contingent facilities towards activities aimed at making infrastructure more resilient to the effects of climate change, including: i) infrastructure designed to provide protection against flooding and extreme weather events, such as heavy rain drainage systems, flood prevention, flood alleviation, flood defences; ii) stormwater management, such as wetlands, retention berms, reservoirs, lagoons, sluice gates, drainage systems, tunnels and channels; iii) early warning systems for droughts and floods; iv) restoration of coastal areas; and v) bushfire management, including weather stations, high-definition cameras, educating communities in high-risk areas on bush fire adaptation planning, and improving communication networks in high-risk rural or inaccessible areas to enhance emergency response to bushfires before they become out of control.
 - The Bank has confirmed that the projects under this activity: i) will be supported by vulnerability assessments to identify potential climate risks, and adaptation plans to address the potential risks identified; and ii) will exclude business-as-usual renovations and retrofits.
 - Sustainalytics considers investments under this category to be aligned with market practice.

²² Climate Bonds Initiative, "Agricultural criteria", at :Criteria: Climate Bonds Standard & Certification Scheme", (2021), at: <https://www.climatebonds.net/files/standards/agriculture/Agriculture%20Criteria%2020210622v3.pdf>

- Under the Affordable and Social Housing category, CBA may finance or refinance loans and contingent facilities pertaining to the acquisition, construction and operation of activities that expand the access of affordable housing for: i) low- or moderate-income households with limits as defined by Australian states and territories;^{23,24,25} ii) low socio-economic groups;²⁶ and iii) victims of domestic or family violence; and iv) Aboriginal and Torres Strait Islander people. Expenses may include financing: i) housing associations or community housing providers; ii) specialist accommodation,²⁷ such as disability housing and retirement villages; and iii) government-led initiatives that increase the supply of affordable housing provided at up to 80% of the current market rental rate.
 - The Bank has confirmed that the housing associations and community housing providers will ensure that no more than 30% of the monthly household income of the identified target populations would go towards rent. Additionally, the specialist accommodation will remain affordable to the target populations, where residents receive rent assistance under the National Disability Insurance Scheme and Age Pension Scheme^{28,29,30} and the rent charged by the provider will not exceed the amount of the maximum reasonable rent contribution.³¹
 - Sustainalytics notes that some of the proceeds under affordable housing will go towards households that have middle or moderate households income, that is, between 80% and 120% of the relevant median income for different regions of Australia.^{32,33,34} For affordable housing projects, Sustainalytics considers it good practice to target low-income households that typically face significant socio-economic barriers in accessing affordable housing. However, Sustainalytics also acknowledges that metropolitan regions of Australia have cost-burdened housing markets.³⁵ Given this context, Sustainalytics recognizes the potential positive impacts of expanding housing options for middle- and moderate-income households in cost-burdened markets.
 - Overall, given the assurance of affordability on the housing, Sustainalytics considers that financing in this category is expected to enhance access to affordable housing to the target populations. Nevertheless, Sustainalytics encourages the Bank to prioritize loans towards low-income households that face housing and rental stress and report on the positive social impact of its financing.
- The Other Social Assets category may include investments related to:
 - Health, Healthcare and Well-being - CBA may finance or refinance loans and contingent facilities related to the acquisition, construction and operation of: i) public hospitals, clinics, and healthcare centres; ii) private not-for-profit hospitals; and iii) aged care services. Sustainalytics notes that healthcare services will be accessible to all regardless of ability to pay. CBA has also confirmed to Sustainalytics that the private not-for-profit aged care services will be made affordable to all elderly population. Financing may also include investments in emergency care transportation for patients in remote areas, such as helicopters and other emergency aviation vehicles.

²³ NSW, "NSW Affordable Housing Ministerial guidelines", (2023), at: https://www.facs.nsw.gov.au/_data/assets/pdf_file/0011/843446/NSW-Affordable-Housing-Ministerial-Guidelines-2023-24.pdf

²⁴ Homes Victoria, at: <https://www.homes.vic.gov.au/how-apply-homes-victoria-affordable-home>

²⁵ Queensland Government, "National Rental Affordability Scheme (NRAS)", (2023), at: <https://www.qld.gov.au/housing/renting/rent-assistance/nras>

²⁶ Low socio-economic groups are defined as people who are homeless or are in receipt of Australian Commonwealth Rent Assistance.

²⁷ National Disability Insurance Agency, "Specialist Disability Accommodation", at: <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/specialist-disability-accommodation>

²⁸ Australian Government, Australian Institute of Health and Welfare, "People with disability in Australia", at:

<https://www.aihw.gov.au/reports/disability/people-with-disability-in-australia/contents/housing/housing-assistance>

²⁹ National Disability Insurance Scheme, "SDA Pricing and Payments", at <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/specialist-disability-accommodation/sda-pricing-and-payments>

³⁰ Australian Government, "Decide where to live when you retire", at: <https://my.gov.au/en/services/ageing/retirement/planning-your-retirement/decide-where-to-live-when-you-retire#help-with-rent>

³¹ The maximum reasonable rent contribution is 25% of the Commonwealth Disability Support Pension, as well as any Commonwealth Rent Assistance the participant receives.

³² NSW, "NSW Affordable Housing Ministerial guidelines", (2023), at: https://www.facs.nsw.gov.au/_data/assets/pdf_file/0011/843446/NSW-Affordable-Housing-Ministerial-Guidelines-2023-24.pdf

³³ Homes Victoria, at: <https://www.homes.vic.gov.au/how-apply-homes-victoria-affordable-home>

³⁴ Queensland Government, "National Rental Affordability Scheme (NRAS)", (2023), at: <https://www.qld.gov.au/housing/renting/rent-assistance/nras>

³⁵ Australian Government, Australian Institute of Housing and Welfare, "Housing Affordability", (2023), at: <https://www.aihw.gov.au/reports/australias-welfare/housing-affordability>

Furthermore, CBA has confirmed that: i) financed helicopters and other emergency aircraft, and procurement of fuel for these aircraft will be used only for emergency purposes and for accessing people in remote areas; and ii) these financed emergency care vehicles will be managed by public or not-for-profit hospitals. Sustainalytics considers these investments to be aligned with market practice.

- Education and Vocation - CBA may finance or refinance the acquisition, construction, and operation of: i) public or not-for-profit tertiary or vocational education; ii) construction of campuses or training facilities; and iii) programmes that support financial education. The Bank has confirmed to Sustainalytics that the services will be accessible to all regardless of ability to pay. Sustainalytics considers the expenditures to be aligned with market practice.
- Affordable Basic Infrastructure activities include:
 - Provision of clean drinking water, sewers and sanitation. The Bank has confirmed the exclusion of integrated water and power plants and desalination plants that are powered by fossil fuels. Additionally, the Bank has confirmed that desalination plants will have an appropriate waste management plan for brine disposal. Sustainalytics considers these investments to be aligned with market practice.³⁶
 - Transportation,³⁷ including free bus services for the elderly and people with mobility impairments, and provision of roads and bridges to improve connectivity in underdeveloped rural areas that currently lack access. CBA has confirmed to Sustainalytics that it will exclude the upkeep and maintenance of major roads and highways. Sustainalytics considers the expenditures to be aligned with market practice.
 - Investments in projects related to energy to provide access to areas without electricity, or where access is substantially inadequate. The Framework excludes projects where the transmission grids are connected to a dedicated fossil fuel power plant. Sustainalytics considers these investments to be aligned with market practice.
- Employment generation programs aimed at preventing or alleviating unemployment stemming from socioeconomic inequality including employment services. The expenditures will be targeted towards population that are living below the poverty line; excluded or marginalized communities; people with disabilities; migrants or displaced people; undereducated; underserved, unemployed, women or sexual gender minorities; aging populations; vulnerable youth and other vulnerable groups as a result of natural disasters. Sustainalytics considers these investments to be aligned with market practice.
 - The Framework includes an exclusionary list of activities excluded from its green, social and sustainability issuances.
- Project Evaluation and Selection:
 - Each business unit at CBA will be responsible for the identification, evaluation and selection of assets in line with the Framework's eligibility criteria. The shortlisted projects will then be presented to CBA's Green, Social and Sustainability Funding Steering Committee (the "Steering Committee"), which will review and approve the eligibility of the projects under the Framework. The Steering Committee consists of representatives from the following CBA departments: Retail Banking Services, Business Banking, Institutional Banking and Markets, Environmental and Social, Investor Relations and Group Treasury.
 - CBA Group's Environmental and Social Policy and Risk Management Framework focus on managing and mitigating the financed projects' environmental and social risks and are applicable to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectations. For additional detail, see Section 2.
 - Based on the process for project evaluation and selection and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:

³⁶ Sustainalytics notes that the desalination plants will be powered by renewable electricity procured through PPA.

³⁷ Transportation vehicles under the category will meet the CO₂ emission standards applicable within the operating jurisdiction.

- CBA's Post Deal Management Team in the Bank's Treasury Department will be responsible for the management and allocation of proceeds to eligible projects, with oversight from the Committee. The Bank will track and report the allocation of proceeds through its internal tracking system, using a register of eligible assets, and intends to allocate the proceeds within 24 months of issuance.
- Pending allocation, proceeds may be temporarily held in cash, cash equivalents or other liquid marketable instruments in CBA's treasury in accordance with its liquidity policies.
- Based on the use of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - CBA commits to report on the allocation of proceeds in its Green, Social and Sustainability Impact Report on its website on an annual basis until full allocation.
 - Allocation reporting will include the net proceeds of the sustainable funding instruments issued under the Framework, breakdown by asset category and share of financing versus refinancing.
 - In addition, CBA is committed to reporting on the estimated environmental and social impacts of the use of proceeds, using relevant impact metrics, such as annual GHG avoided (in tCO₂e), net lettable area of low-carbon real estate (in m²), amount of lettable area (in m²), volume of water saved, reduced or treated (in m³), hectares of land rehabilitated, number of different climate change adaptation measures, number of places in care facilities or patients served, number of students supported, number of housing units built or refurbished and number of target populations served.
 - Sustainalytics notes the Bank's commitment to ensuring no double-counting of financed projects and assets across all allocation and impact reporting commitments made under the Framework.
 - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Commonwealth Bank of Australia Green, Social and Sustainability Funding Framework aligns with the four core components of the GBP and SBP. For detailed information, please refer to Appendix 1: Sustainability Bond/Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of CBA

Contribution to CBA's sustainability strategy

Sustainalytics is of the opinion that CBA demonstrates a strong commitment to sustainability by integrating ESG considerations into its strategy, risk management practices, policies, systems and processes.³⁸ Published in 2019 and revised in 2023, CBA's Environmental and Social Framework acts as guidance for the Bank to conduct business in a responsible way while managing and mitigating the impact of its operations and its lending portfolio on the environment and community.³⁹ The key focus areas of the Bank's Environmental and Social Framework are: i) climate change, ii) biodiversity, iii) agriculture, forestry and fisheries, and iv) human rights.⁴⁰

In relation to climate change, CBA aims to transition its operational and financed emissions to align with pathways to net zero by 2050 and supports Australia's climate change goals of energy transition.⁴¹ The Bank's climate strategy involves setting sector-level financed emissions targets aligned with 1.5°C scenario. In addition, CBA aims to reduce its existing project finance exposure to thermal coal mines and coal-fired power

³⁸ CBA, "Annual Report", (2023), at: <https://www.commbank.com.au/content/dam/commbank-assets/investors/docs/results/fy23/2023-Annual-Report-Spreads.pdf>

³⁹ CBA, "Environmental and Social Framework", (2023), at: <https://www.commbank.com.au/content/dam/commbank/about-us/download-printed-forms/environment-and-social-framework.pdf>

⁴⁰ Ibid.

⁴¹ CBA, "Annual Report", (2023), at: <https://www.commbank.com.au/content/dam/commbank-assets/investors/docs/results/fy23/2023-Annual-Report-Spreads.pdf>

plants to zero by 2030, and reduce its financed emissions from power generation projects to 105 kgCO₂/MWh by 2030.^{42,43}

CBA is committed to supporting indigenous communities and has released its 2023-2025 Elevate Reconciliation Action Plan (RAP) (2023-25).⁴⁴ The 2023-2025 Elevate RAP focuses on improving access to banking services to customers in remote communities and removing barriers to employment, business and supplier opportunities. In addition, CBA offers financial support to victims of domestic and financial abuse.⁴⁵ The Bank's Next Chapter programme provides care for customers impacted by domestic and family violence by providing access to a specialist community well-being team, as well as hardship assistance, such as minimizing the need for additional documentation or providing flexible repayment plans.⁴⁶ Since its inception in 2020, the programme has supported 52,277 interactions with people impacted by domestic and family violence. As of 2023, CBA's Financial Independence Hub (a programme in partnership with Good Shepherd) has supported 4,478 participants and aims to support more than 10,000 people by the end of the 2024.⁴⁷ In addition, in FY2021 CBA established a Sustainability Funding Target (SFT) of AUD 70 billion (USD 46 billion) in cumulative funding by FY2030, which seeks to support sustainable green and social industries and asset types.⁴⁸ In 2023, CBA achieved funding of AUD 44.7 billion (USD 23 billion) towards its SFT.⁴⁹

CBA has been reporting on its environmental sustainability since 1997 and has been a member of the UNEP's Finance Initiative and the United Nations Global Compact since 2009.^{50,51} It is a signatory to the Net Zero Banking Alliance and UN Principles for Responsible Banking and follows international sustainability reporting frameworks, such as the SASB, GRI and TCFD.⁵²

Sustainalytics is of the opinion that the Commonwealth Bank of Australia Green, Social and Sustainability Funding Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental and social priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental or social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. While CBA plays a limited role in the development of the specific projects that it finances, by offering lending and financial services, it is exposed to environmental and social risks associated with the projects that it may finance or refinance. Some key environmental and social risks associated with the eligible projects may include issues related to credit lending, land use and biodiversity issues associated with infrastructure development, effluents and waste generated in construction, occupational health and safety, business ethics, data privacy and community relations.

Sustainalytics notes that the environmental and social risk management and mitigation policies of the Group applies to CBA. Sustainalytics is of the opinion that CBA is able to manage or mitigate potential risks through implementation of the following:

- To address risks related to credit lending, CBA's Group's Risk Management Framework requires the Bank to perform due diligence and credit quality assessments for all its counterparties, industry sectors and countries on the basis of the credit risk indicators identified. The policy also sets out strategies to perform regular monitoring of credit quality, arrears, policy exceptions and policy breaches.⁵³

⁴² Ibid.

⁴³ CBA, "Climate Finance Assessment FY2023", (2023), at: <https://climateenergyfinance.org/wp-content/uploads/2023/08/FY2023-CommBank.pdf>

⁴⁴ CBA, "Annual Report", (2023), at: <https://www.commbank.com.au/content/dam/commbank-assets/investors/docs/results/fy23/2023-Annual-Report-Spreads.pdf>

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ Funding targeted at renewable energy, low-carbon transport, low-carbon commercial buildings, energy efficiency, green residential buildings, pollution and waste management, sustainability-linked loans and social assets.

⁴⁹ CBA, "Climate Report", (2023), at: <https://www.commbank.com.au/content/dam/commbank-assets/investors/2023-08/climate/2023-climate-report-spreads.pdf>

⁵⁰ UN Finance Initiative, "Commonwealth Bank of Australia", at: <https://www.unepfi.org/member/commonwealth-bank-of-australia/>

⁵¹ UN Global Compact, "Commonwealth Bank of Australia", at: <https://unglobalcompact.org/what-is-gc/participants/2349-Commonwealth-Bank-of-Australia>

⁵² CBA, "Sustainability Reporting Appendix", (2023), at: <https://www.commbank.com.au/content/dam/commbank-assets/investors/docs/results/fy23/2023-CBA-Sustainability-Reporting-Appendix.pdf>

⁵³ CBA, "Annual Report", (2023), at: <https://www.commbank.com.au/content/dam/commbank-assets/investors/docs/results/fy23/2023-Annual-Report-Spreads.pdf>

- To manage risks related to land use and biodiversity, CBA complies with the requirements of relevant environmental and social legislation in all the geographical locations in which it operates.⁵⁴ The minimum standards outlined in the Bank's Environmental and Social Framework are focused on areas including biodiversity and are to be adhered to by Bank's clients and suppliers.⁵⁵
- To address risks related to waste and effluents generated from new construction, CBA has a supplier risk governance tool (SRG tool) that assesses waste and water consumption reduction initiatives of the supplier, to minimize the impact on biodiversity related to new construction projects.⁵⁶ The SRG tool further prompts suppliers in high or very high environmental risk industries to provide detailed information on the policies, commitments, assessment and reporting of the actions undertaken in relation to climate and nature-related impacts from the financed activities.⁵⁷ Additionally, CBA also has in place an ESG risk assessment tool that plays a key role in corporate lending decision by identifying and assessing the environmental and social risks that the Bank's customers are exposed to and then further assessing the mitigation actions they take to manage the same. Moreover, the Bank assesses the alignment of the above against the commitments made in CBA's Environmental and Social Framework.⁵⁸
- To address risks related to occupational health and safety, the Bank has a Work Health and Safety Policy, which outlines the Group's commitment and approach to the physical and psychological health and safety of its stakeholders, including its directors, employees, contractors and temporary workers. The policy outlines requirements related to the minimum provision of information, training, consultation and supervision, as well as the management of workplace hazards and systems for monitoring, measuring and reporting work-related risks.⁵⁹
- Regarding the risks related to business ethics, CBA has developed its own Information Security Statement to manage information and security risk across the organization,⁶⁰ in line with the best practices and standards of ISO27001.⁶¹ The Bank complies to the Group's Anti-Bribery and Corruption Policy, to detect and respond to the events and to comply with the relevant local laws in jurisdiction which the Bank operates.⁶² Additionally, the Bank also has implemented a whistleblowing mechanism for its employees to proactively report whistleblower disclosures related to ethical conduct.⁶³
- Regarding community relations, CBA has its own Stakeholder Engagement Approach in place. The Stakeholder Engagement Approach aims to develop partnerships with stakeholders, enhance community participation and use stakeholders' insights to understand risks and opportunities relevant to its products and services.⁶⁴ The approach mechanisms are based on the AA1000 Accountability Stakeholder Engagement Standard.^{65,66}

⁵⁴ CBA, "Environmental and Social Framework", (2023), at: <https://www.commbank.com.au/content/dam/commbank/about-us/download-printed-forms/environment-and-social-framework.pdf>

⁵⁵ CBA, "Environmental and Social Framework", (2023), at: <https://www.commbank.com.au/content/dam/commbank/about-us/download-printed-forms/environment-and-social-framework.pdf>

⁵⁶ CBA, "Climate Report", (2023), at: https://www.commbank.com.au/content/dam/commbank-assets/investors/2023-08/climate/2023-climate-report_print.pdf

⁵⁷ CBA, "Climate Report", (2023), at: https://www.commbank.com.au/content/dam/commbank-assets/investors/2023-08/climate/2023-climate-report_print.pdf

⁵⁸ Ibid.

⁵⁹ CBA, "Group Work Health & Safety Policy", (2021), at: https://www.commbank.com.au/content/dam/commbank/about-us/PDS_PDF/health-and-safety-policy.pdf

⁶⁰ CBA, "Information Security Statement", (2023), at: <https://www.commbank.com.au/content/dam/commbank-assets/opportunity-initiatives/2023-10/CBA-Information-Security-Statement-Oct-2023.pdf>

⁶¹ CBA, "Annual Report", (2023), at: <https://www.commbank.com.au/content/dam/commbank-assets/investors/docs/results/fy23/2023-Annual-Report-Spreads.pdf>

⁶² CBA, "Anti-bribery and Corruption", (2021), at: <https://www.commbank.com.au/content/dam/commbank-assets/investors/docs/results/fy23/2023-Annual-Report-Spreads.pdf>

⁶³ CBA, "Group Whistleblower Policy", (2023), at: <https://www.commbank.com.au/content/dam/commbank/assets/about/opportunity-initiatives/commbank-whistleblower-policy.pdf>

⁶⁴ CBA, "Stakeholder Engagement Approach", (2021), at: <https://www.commbank.com.au/content/dam/commbank/assets/about/opportunity-initiatives/Stakeholder-Engagement-Approach.pdf>

⁶⁵ AccountAbility, "AA1000 Stakeholder Engagement Standard", at: <https://www.accountability.org/standards/aa1000-stakeholder-engagement-standard/>

⁶⁶ CBA, "Stakeholder Engagement Approach", (2021), at: <https://www.commbank.com.au/content/dam/commbank/assets/about/opportunity-initiatives/Stakeholder-Engagement-Approach.pdf>

- The Bank's Supplier Code of Conduct requires suppliers and subcontractors to adhere to the Group's principles, including compliance with laws and regulations and integration of ESG risk management into business practices and procedures.⁶⁷
- Sustainalytics notes that Australia is categorized as a Designated Country under the Equator Principles,⁶⁸ indicating strong environmental and social governance legislation systems and institutional capacity to mitigate common environmental and social risks.

Additionally, Sustainalytics' research has identified CBA as currently being exposed to a controversy related to the quality and safety of its financial products and customer management. Sustainalytics notes that the risks related to the controversy are unrelated to the eligible projects that may be financed by the Framework.⁶⁹

Based on these policies, standards and assessments, Sustainalytics is of the opinion that CBA has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All 10 use of proceeds categories are aligned with those recognized by the GBP and SBP. Sustainalytics has focused on one below where the impact is specifically relevant in the local context.

Importance of renewable energy projects to facilitate emissions reduction in Australia

Fossil fuels dominate electricity production in Australia, with coal, gas and oil accounting for 47%, 19% and 2% of the power generation in 2022, respectively.⁷⁰ In the same year, renewables made up only 31% of electricity generation, with solar, wind and hydro contributing 14%, 11% and 6%, respectively.⁷¹ Australia's electricity grid is projected to face major supply shortages from 2025 onwards, as several coal-fired power plants supplying the national electricity grid are scheduled to go out of service.⁷² To reliably fulfil demand from Australian homes and companies, there is a need for urgent and continued investments in renewable energy, long-duration storage and transmission.⁷³ These investments would further complement Australia's Nationally Determined Contribution commitments to reducing its emissions to 43% below 2005 levels by 2030.⁷⁴

To advance the decarbonization of Australia's grid, the Australian government set a target to increase the share of renewables to 82% by 2030.⁷⁵ In its October 2022-23 budget, the Australian government committed AUD 25 billion (USD 16.1 billion) towards climate-related programmes,⁷⁶ under which decarbonization of the grid and development of clean energy are the key themes.⁷⁷ Australia has high potential for developing wind energy owing to the country's expansive coastline and conducive topography, which result in an average wind

⁶⁷ CBA, "Supplier Code Of Conduct", (2021), at: <https://www.commbank.com.au/content/dam/commbank/personal/apply-online/download-printed-forms/Supplier-Code-of-Conduct.pdf>

⁶⁸ Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/>

⁶⁹ Sustainalytics notes that the controversies are related to customer representation failures that have been identified by regulators and acknowledged by the Bank. CBA has confirmed the completion of remediation related to these failures.

CBA, "CBA acknowledges Federal Court judgment", (2022) at: <https://www.commbank.com.au/articles/newsroom/2022/11/federal-court-judgment.html>

⁷⁰ Australian Government, Department of Climate Change, Energy, the Environment and Water, "Electricity generation", at: <https://www.energy.gov.au/data/electricity-generation>

⁷¹ Ibid.

⁷² Hannam, P.

(2023), "Australia at risk of electricity supply shortages as renewable projects lag behind coal plant closures", The Guardian, at: <https://www.theguardian.com/australia-news/2023/feb/20/australia-at-risk-of-electricity-supply-shortages-as-renewable-projects-lag-behind-coal-plant-closures>

⁷³ Ibid.

⁷⁴ Australian Government, Department of Climate Change, Energy, the Environment and Water, "International Climate Action", at: <https://www.dceew.gov.au/climate-change/international-climate-action>

⁷⁵ Australian Government, Department of Climate Change, Energy, the Environment and Water, "Powering Australia", at: <https://www.dceew.gov.au/energy/strategies-and-frameworks/powering-australia>

⁷⁶ Australian Government, Australian Trade and Investment Committee, "Australian Budget commits A\$25bn to clean energy and renewables projects", at: <https://www.globalaustralia.gov.au/news-and-resources/news-items/australian-budget-commits-a25bn-clean-energy-and-renewables-projects>

⁷⁷ United Nations Climate Change, "Australia's Nationally Determined Contribution", (2022), at: <https://unfccc.int/sites/default/files/NDC/2022-06/Australias%20NDC%20June%202022%20Update%20%283%29.pdf>

speed of more than 6 metres/second and more than 9 metres/second in some places.⁷⁸ However, new wind energy capacities added to the Australian clean energy portfolio decreased from 1.7 GW to 1.4 GW between 2021 and 2022, accounting for a reduction of approximately 18% in a year.⁷⁹ To provide an incentive to the wind sector, the Australian Government adopted the Offshore Electricity Infrastructure Regulations 2022,⁸⁰ Offshore Electricity Infrastructure (Regulatory Levies) Regulations 2022⁸¹ and Offshore Electricity Infrastructure Legislation Amendment Bill 2022⁸² to establish a regulatory framework for offshore electricity infrastructure in Australian waters. Additionally, solar power gained huge traction in Australia, with more than 3 million rooftop solar PV systems installed in 2021,⁸³ facilitating 30% of homes in Australia adopting solar power.⁸⁴ Australia incentivizes the adoption of renewable energy technologies by providing renewable energy certificates through the Australian Clean Energy Regulator; certificates can be sold to recover a portion of the system’s installation and purchase costs.⁸⁵

In 2022, the Australian Government introduced one of its key programmes, Rewiring the Nation,⁸⁶ which aims to improve access to and affordability of clean energy across Australia and includes engagements with communities at large. Australia’s Clean Energy Finance Corporation has AUD 19 billion (USD 12.2 billion) dedicated for low-cost finance for projects to upgrade, expand and modernize Australia’s electricity grid.⁸⁷ In September 2023, the Australian government made significant changes to the national energy laws, which included the integration of emissions reduction targets and energy policies into the National Electricity Law further supporting Australia’s decarbonization goals.⁸⁸

Based on the above, Sustainalytics is of the opinion that CBA’s investments in renewable energy, are expected to contribute positively towards the clean energy transition in Australia and support Australia in meeting its NDCs in line with the Paris Agreement.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Commonwealth Bank of Australia Green, Social and Sustainability Funding Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy-Efficient Commercial Buildings	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
		9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with

⁷⁸ Australian Government, “Wind Energy”, (2023), at: <https://www.ga.gov.au/scientific-topics/energy/resources/other-renewable-energy-resources/wind-energy>

⁷⁹ Ibid.

⁸⁰ Australian Government, “Offshore Electricity Infrastructure Regulations”, (2022), at: <https://www.legislation.gov.au/Details/F2022L01422>

⁸¹ Australian Government, “Offshore Electricity Infrastructure (Regulatory Levies) Regulations”, (2022), at: <https://www.legislation.gov.au/Details/F2022L01412>

⁸² Australian Government, “Offshore Electricity Infrastructure Legislation Amendment Bill”, (2022), at: https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/bd/bd2223a/Offshore_Electricity_Infrastructure_Legislation_Amendment_Bill_2022

⁸³ Ibid.

⁸⁴ Ibid.

⁸⁵ Ibid.

⁸⁶ Australian Government, Department of Climate Change, Energy, the Environment and Water, “Rewiring the Nation”, at: <https://www.dceew.gov.au/energy/renewable/rewiring-the-nation>

⁸⁷ Ibid.

⁸⁸ Australian Government, Department of Climate Change, Energy, the Environment and Water, “Incorporating an emissions reduction objective into the national energy objectives”, (2023), at: <https://www.energy.gov.au/government-priorities/australias-energy-strategies-and-frameworks/national-energy-transformation-partnership/incorporating-emissions-reduction-objective-national-energy-objectives>

		increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Energy-Efficient Residential Buildings	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Low-Carbon Transport	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Water	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Pollution and Waste Management	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Land and Agriculture	2. Zero Hunger	2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought,
Climate Change Adaptation	11. Sustainable Cities and Communities	11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations

	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Affordable and Social Housing	1. No Poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
	11. Sustainable Cities and Communities	11.1. By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Other Social Assets-Health, Healthcare and Well-being	3. Good Health and Well-being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
Other Social Assets-Education and Vocation	4. Quality Education	4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations
Other Social Assets-Affordable Basic Infrastructure	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
		6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations
	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Other Social Assets-Employment Generation	8. Decent Work and Economic Growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Conclusion

CBA has developed the Commonwealth Bank of Australia Green, Social and Sustainability Funding Framework under which it may issue sustainable funding instruments and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to contribute to the transition to a low-carbon economy and support the socio-economic development of Australia. Sustainalytics considers that the projects funded with proceeds from sustainable funding instruments issued under the Framework are expected to provide positive environmental and social impact.

The Commonwealth Bank of Australia Green, Social and Sustainability Funding Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for the Bank to report on their allocation and impact. Sustainalytics believes that the Commonwealth Bank of Australia Green, Social and Sustainability Funding Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 1, 2, 3, 4, 6, 7, 9, 11, 12 and 13. Additionally, Sustainalytics is of the opinion that the Bank has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that CBA is well-positioned to issue sustainable funding instruments and that the Commonwealth Bank of Australia Green, Social and Sustainability Funding Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 (GBP) and Social Bond Principles 2023 (SBP).

Appendix

Appendix 1: Sustainability Bond/ Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Commonwealth Bank of Australia
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	Commonwealth Bank of Australia Green, Social and Sustainability Funding Framework
Review provider's name:	Sustainalytics
Completion date of this form:	February 02, 2024
Publication date of review publication: Original publication date [please fill this out for updates]:	

Section 2. Review overview

SCOPE OF REVIEW

The review:

- assessed the 4 core components of the Principles (**complete review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*).
- assessed only some of them (**partial review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*); please indicate which ones:
 - Use of Proceeds
 - Process for Project Evaluation and Selection
 - Management of Proceeds
 - Reporting
- assessed the alignment with other regulations or standards (CBI, EU GBS, ASEAN Green Bond Standard, ISO 14030, etc.); please indicate which ones:

ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- Second Party Opinion
- Certification
- Verification
- Scoring/Rating
- Other (please specify):

Does the review include a sustainability quality score?

- Of the issuer
- Of the project

- Of the Framework
 Other (please specify):
 No scoring

ASSESSMENT OF THE PROJECT(S)

Does the review include:

- The environmental and/or social features of the type of project(s) intended for the Use of Proceeds?
 The environmental and/or social benefits and impact targeted by the eligible Green and/or Social Project(s) financed by the Green, Social or Sustainability Bond?
 The potentially material environmental and/or social risks associated with the project(s) (where relevant)?

ISSUER'S OVERARCHING OBJECTIVES

Does the review include:

- An assessment of the issuer's overarching sustainability objectives and strategy, and the policies and/or processes towards their delivery?
 An identification and assessment of environmental, social and governance related risks of adverse impact through the Issuer's [actions] and explanations on how they are managed and mitigated by the issuer?
 A reference to the issuer's relevant regulations, standards, or frameworks for sustainability-related disclosure and reporting?

CLIMATE TRANSITION STRATEGY

Does the review assess:

- The issuer's climate transition strategy & governance?
 The alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario?
 The credibility of the issuer's climate transition strategy to reach its targets?
 The level/type of independent governance and oversight of the issuer's climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer's climate transition strategy to shareholders' approval).
 If appropriate, the materiality of the planned transition trajectory in the context of the issuers overall business (including the relevant historical datapoints)?
 The alignment of the issuer's proposed strategy and targets with appropriate science-based targets and transition pathways that are deemed necessary to limit climate change to targeted levels?
 The comprehensiveness of the issuer's disclosure to help investors assess its performance holistically?

Overall comment on this section:

Section 3. Detailed Review

1. USE OF PROCEEDS

Does the review assess:

- the environmental/social benefits of the project(s)?

- whether those benefits are quantifiable and meaningful?
- for social projects, whether the target population is properly identified?

Does the review assess if the issuer provides clear information on:

- the estimated proceeds allocation per project category (in case of multiple projects)?
- the estimated share of financing vs. re-financing (and the related lookback period)?

Overall comment on this section:

The eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 2, 3, 4, 6, 7, 9, 11, 12 and 13.

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Does the review assess:

- whether the eligibility of the project(s) is aligned with official or market-based taxonomies or recognised international standards? Please specify which ones. *Sustainalytics has a proprietary taxonomy which is influenced by the EU taxonomy, Climate Bonds Initiative taxonomy as well as international standards.*
- whether the eligible projects are aligned with the overall sustainability strategy of the issuer and/or if the eligible projects are aligned with material ESG-related objectives in the issuer's industry?
- the process and governance to set the eligibility criteria including, if applicable, exclusion criteria?
- the processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s)?
- any process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s)?

Overall comment on this section:

CBA's Green, Social and Sustainability Funding Steering Committee will review and approve the potential eligible assets under the Framework, identified by each business unit at CBA. The Commonwealth Bank of Australia Group's Environmental and Social Policy and its Risk Management Framework are applicable to all allocation decisions made under the Framework. Sustainalytics considers CBA's risk management systems to be adequate and the project selection process to be in line with market practice.

3. MANAGEMENT OF PROCEEDS

Does the review assess:

- the issuer's policy for segregating or tracking the proceeds in an appropriate manner?
- the intended types of temporary investment instruments for unallocated proceeds?
- Whether an external auditor will verify the internal tracking of the proceeds and the allocation of the funds?

Overall comment on this section:

CBA's Post Deal Management Team in its Treasury Department will be responsible for the management and allocation of proceeds to eligible projects, with oversight from the Green, Social and Sustainability Funding Steering Committee. The Bank will use its internal tracking system to track and report the allocation of proceeds using a register of eligible assets and intends to allocate the proceeds within 24 months of issuance. Pending allocation, proceeds may be temporarily held in cash, cash equivalents or other liquid marketable instruments with CBA's treasury and in accordance with its liquidity policies. This is in line with market practice.

4. REPORTING

Does the review assess:

- the expected type of allocation and impact reporting (bond-by-bond or on a portfolio basis)?
- the frequency and the means of disclosure?
- the disclosure of the methodology of the expected or achieved impact of the financed project(s)?

Overall comment on this section:

CBA commits to report on the allocation of proceeds in its Green, Social and Sustainability Impact Report on its website on an annual basis until full allocation. In addition, CBA is committed to reporting on the estimated environmental and social impacts of the use of proceeds using relevant impact metrics. Sustainalytics views CBA's allocation and impact reporting as aligned with market practice.

Section 4. Additional Information

Useful links (e.g. to the external review provider's methodology or credentials, to the full review, to issuer's documentation, etc.)

Analysis of the contribution of the project(s) to the UN Sustainable Development Goals:

Additional assessment in relation to the issuer/bond framework/eligible project(s):

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE SBP

- i. **Second-Party Opinion:** An institution with social expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Social Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability, and an evaluation of the social features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Social Bond proceeds, statement of social impact or alignment of reporting with the SBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Social Bond or associated Social Bond framework or Use of Proceeds certified against a recognised external social standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Social Bond Scoring/Rating:** An issuer can have its Social Bond, associated Social Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on social performance data, process relative to the SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material social risks.

Disclaimer

Copyright ©2024 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com

