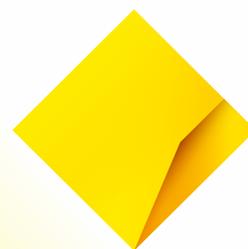


Green, Social and Sustainability Funding Framework

February 2024



Contents



About this document

This document (**Framework**) replaces previous frameworks and relates to funding instruments issued by Commonwealth Bank of Australia (CBA) that meet the green, social and sustainability funding requirements of the International Capital Market Association (ICMA).

The Framework leverages the Climate Bonds Initiative taxonomies in defining eligible asset categories.

Sustainable Funding Instruments may include any of the following products issued by CBA:

- Unsecured Bonds (senior or subordinated)
- Covered Bonds
- Asset-backed or Residential Mortgage-backed Securities
- Short-term debt instruments
- Deposits and other liabilities

The Framework is approved by the Group Treasurer and supported by CBA's internal procedures and processes.

Introduction

Our purpose and strategy	1
Our environmental and social commitments	1
Global principles and policies	1

Green, Social and Sustainability Funding Framework

Overview	3
Use of proceeds	3
Allocation of proceeds	3
Excluded assets	3
Green Eligible Assets	4
Social Eligible Assets	6

Process for asset evaluation and selection	7
Management of proceeds	8
Reporting	8

External review

Second party opinion	9
Post-Issuance external verification	9
Green, Social and Sustainable Certification	9

Important notice

Contact us

Our reporting suite



Annual Report

+ commbank.com.au/2023annualreport



Climate Report

+ commbank.com.au/2023climatereport



Corporate Governance Statement

+ commbank.com.au/corporategovernance



E&S Framework

+ commbank.com.au/esframework



Investor Discussion Pack

+ commbank.com.au/results



Sustainability Appendix

+ commbank.com.au/reporting

Introduction

Our purpose and strategy

Our purpose is building a brighter future for all.

Our purpose guides our strategy which is to build tomorrow's bank today for our customers. Our strategic priorities include:

- Leadership in Australia's recovery and transition.
- Reimagined products and services.
- Global best digital experiences and technology.
- Simpler, better foundations.

Our environmental and social commitments

We recognise we have a responsibility to manage environmental and social risks as we seek to create long-term sustainable value for our people, customers, communities and shareholders. We are focused on doing the right thing and being transparent about our performance and progress. We believe that conducting our business in a responsible way and making meaningful contributions to the communities in which we operate is critical to delivering balanced and sustainable stakeholder outcomes.

Our public 2023 Environmental and Social Framework, underpinned by our internal Environmental and Social Policy, provides a reference point for our people and stakeholders on the minimum standards we seek to abide by, the targets we seek to implement, and the governance and oversight in place to support our endeavours. It sets out five areas of focus: climate change; human rights; biodiversity; agriculture, fisheries and forestry; and defence.

We support Australia's transition to a net zero economy by 2050. In supporting this ambition, our actions need to align with our purpose – building a brighter future for all – and aim to be inclusive. We remain committed to managing the risks and opportunities of climate change, and supporting our customers.

Our Green, Social and Sustainability Funding Framework helps facilitate the flow of funds from fixed income investors to green, social and sustainable projects.



Green, Social and Sustainability Funding Framework



Overview

This Framework sets out the governance and oversight processes that will support issuance by CBA of Sustainable Funding Instruments that meet international standards for these products. The types of sustainable funding instruments issued may include:

- Unsecured bonds (senior or subordinated)
- Covered bonds
- Asset-backed or residential mortgage-backed securities
- Short-term debt instruments
- Deposits and other liabilities

The Sustainable Funding Instruments issued under this Framework will align with the 2021 Green Bond Principles (“GBP”), 2023 Social Bond Principles (“SBP”) and the 2021 Sustainability Bond Guidelines (“SBG”) by the International Capital Markets Association (“ICMA”, together the “ICMA Principles”), or as they may subsequently be updated, by satisfying certain criteria in the following areas:

- Use of proceeds
- Process for asset evaluation and selection
- Management of proceeds
- Reporting
- External reviews

Use of proceeds

This Framework also describes how Sustainable Funding Instruments support and contribute to the United Nations Sustainable Development Goals (SDGs).

Allocation of proceeds

CBA will allocate an amount equivalent to the net proceeds of the Sustainable Funding Instruments issued under this Framework towards financing or refinancing, in whole or in part, the following new and/or existing eligible projects, assets and/or expenditures (Eligible Assets).

- CBA assets that promote the transition to a low-carbon, climate resilient and sustainable economy, as described further in Green Eligible Assets.
- CBA assets that aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes, as described further in Social Eligible Assets.

Excluded assets

The proceeds from Sustainable Funding Instruments issued under this Framework will not knowingly be allocated to assets (Excluded Assets) where CBA has assessed the main purpose is to finance or refinance:

- Defence and security
- Fossil fuels
- Gambling
- Tobacco



Green Eligible Assets

Green Eligible Assets are all Eligible Assets (other than Excluded Assets) that fall within one of the eligibility categories described, and include assets that operate or are under construction to operate.

Eligibility category	Green Eligible Asset description	UN SDGs alignment
Renewable energy	<p>Loans and contingent facilities to domestic and offshore entities involved in providing and manufacturing equipment, the development, construction, operation, distribution and maintenance of large scale renewable energy projects, and assets that improve energy efficiency.</p> <p>This includes:</p> <ul style="list-style-type: none"> • Entities whose main business is renewable energy generation (at least 90% of revenue, or where unavailable an alternative measure such as energy generation from the energy mix, is from eligible renewable sources, from renewable energy generation) or proceeds of financing restricted to renewable energy generation sourced from the following: <ul style="list-style-type: none"> – Wind, solar (photovoltaics concentrated solar power/solar thermal), hydro¹, geothermal, wave, tidal, landfill gas (if asset is classified as an eligible generator under the Australian Renewable Energy Target (RET)). • Entities whose operations involve transmitting and distributing renewable electricity, entities whose operations involve storage facilities including large scale energy storage facilities and batteries, as well as, manufacturing facilities dedicated wholly to onshore and offshore development of renewable technology. • Solar, wind, hydro powered equipment including panel installations. • Batteries used to store energy for commercial use and charging equipment. <p>An exposure that is at the head company level can still be included if the purpose of the CBA product is to be used for the needs of certain assets/projects/subsidiaries of the counterparty that fit the above criteria.</p>	
Energy efficient commercial buildings	<p>Loans and contingent facilities related to existing or new construction of commercial buildings that are considered low carbon, and lending to improve energy efficiency of commercial buildings.</p> <p>This includes:</p> <ul style="list-style-type: none"> • NABERS Energy \geq 5 star or Green Star \geq 5 star or BREEAM Excellent certification. Includes projects under construction or property upgrade, based on expected NABERS Energy rating. • Buildings that are within the top 15% of their city in terms of emissions performance. • Building retrofit/renovation targeting at least a 30% emissions reduction depending on the term of the facility. • Building upgrades to improve energy efficiency, including but not limited to energy-efficient window treatments, floor and roof installation. <p>Apportionment undertaken on loans with multiple underlying securities so that only the balance attributed to securities that satisfy the definition are counted. Apportionment is based on the property value that satisfies the definition divided by the portfolio value of all securities held as collateral against the loan.</p>	
Energy efficient residential buildings	<p>Loans related to new construction/major renovation of residential buildings that are considered energy efficient, and lending to support residential building upgrades.</p> <p>This includes:</p> <ul style="list-style-type: none"> • Construction loans² with progressive payments from 1 July 2022 for buildings that are within the top 15% of their city in terms of emission performance. The National Construction Code requires qualifying construction and major renovation to meet a minimum thermal efficiency NatHERS rating. • Lending to upgrade the energy efficiency of residential buildings. 	 

¹ Based on CBI Hydropower criteria.

² In the Retail Bank construction loans have progressive payments as the work progresses.

Eligibility category	Green Eligible Asset description	UN SDGs alignment
Low carbon transport	<p>Loans and contingent facilities related to low carbon transport and supporting infrastructure.</p> <p>This includes:</p> <ul style="list-style-type: none"> • Low carbon/clean transport defined as the following public/private vehicles: <ul style="list-style-type: none"> – Electric and hydrogen passenger and freight vehicles. – Electric off-road machinery and engines. – Trains: non-diesel rolling stock¹ and vehicles for electrified trams, trolley buses and cable cars. – Buses: electric or hydrogen buses. • Supporting infrastructure such as: <ul style="list-style-type: none"> – Large scale supporting infrastructure including charging and alternative fuel infrastructure and batteries. – Dedicated infrastructure for electrified transport. – Public walking and cycling infrastructure. – Bus rapid transit system. – All infrastructure for electrified freight rail. 	 
Sustainable water	<p>Loans and contingent facilities related to activities that improve water quality, distribution efficiency and conservation, while using latest energy efficient technologies and deployment in a way that preserves biodiversity.</p> <p>This includes:</p> <ul style="list-style-type: none"> • Water treatment infrastructure, including wastewater treatment systems. 	
Pollution and waste management	<p>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.</p> <p>This includes:</p> <ul style="list-style-type: none"> • The development, operation and upgrade of physical recycling facilities for metals, plastic or paper. • Recycling or composting to divert waste from landfill. • Organic waste treatment and composting. • Organic waste to energy power generation projects. • Landfill gas collection power generation projects for closed landfills with 75% or more gas capture efficiency. 	 
Land and agriculture	<p>Loans and contingent facilities for assets or agricultural practices that are designed to maintain or improve certain environmental outcomes.</p> <p>This includes:</p> <ul style="list-style-type: none"> • Best practices for low emissions agriculture relating to fertiliser use, management of soil for net carbon sequestration, management of biomass for net carbon sequestration, energy and residue management, in accordance with the Climate Bonds Initiative standards. 	
Climate change adaptation	<p>Loans and contingent facilities relating to making buildings and infrastructure more resilient to impacts of climate change.</p> <p>This includes:</p> <ul style="list-style-type: none"> • Lending with a Vulnerability Assessment or Adaptation Plan. • Engineered water infrastructure for flood defence, storm water management or drought resilience or ecological restoration and management.² 	 

1 Fossil fuel freight must not be more than 25% of the freight transported (tonne/km).

2 Subject to appropriate environmental assessments, internal and external certifications.



Social Eligible Assets

Social Eligible Assets are all Eligible Assets (other than Excluded Assets) that fall within one of the eligibility categories described below and include (i) assets that operate or are under construction to operate, (ii) CBA's own operating expenditure in the below list of eligible categories or (iii) loans to organisations that derive 90% or more of its revenues from activities in the below list of eligible categories.

Eligible social projects should be directed towards target populations, which include those that are: living below the poverty line; excluded and/or marginalised populations and/or communities; people with disabilities; migrants and/or displaced persons; undereducated; underserved, owing to a lack of quality access to essential goods and services; unemployed; women and/or sexual gender minorities; aging populations and vulnerable youth; other vulnerable groups, including as a result of natural disasters.

Eligibility category	Social Eligible Asset description	UN SDGs alignment
Affordable and social housing	<p>Loans and contingent facilities related to the acquisition, construction and/or operation of activities that expand the access to adequate, safe, affordable housing.</p> <p>This includes:</p> <ul style="list-style-type: none"> • Financing housing associations or community housing providers. • Financing for specialist accommodation such as disability housing or retirement villages. • Financing sponsors through Government-led initiatives to increase the supply of affordable housing, where accommodation is provided at no more than 80% of the current market rental rate. <p>Target populations include households with income below limits defined by Australian states and territories, low socio-economic groups, victims of domestic or family violence, or Aboriginal and Torres Strait Islander peoples.</p>	
Other social assets	<p>Loans and contingent facilities related to the acquisition, construction, equipment or operation of activities that expand:</p> <ul style="list-style-type: none"> • Health, healthcare and wellbeing including public hospitals, clinics and healthcare centres, private not for profit hospitals, aged care services that meet the Australian Government supported resident ratio to be eligible for the higher amount of accommodation supplement and emergency care transportation. • Education and vocation including tertiary or vocational education that is public or not for profit, activities that improve educational infrastructure such as construction of campuses or training facilities, programs that support financial education. • Affordable basic infrastructure including: provision of clean drinking water, sewers or sanitation; transport, where vehicles meet the CO₂ emission standards within the jurisdiction or roads and bridges in underdeveloped rural areas without connectivity; and energy, where the transmission grid is not connected to a dedicated fossil fuel power plant and is providing electricity access to areas where there is no, or substantially inadequate, access. • Employment generation and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic inequality including employment services. 	

Process for asset evaluation and selection

Asset evaluation and selection is a key process for ensuring that the proceeds from the Sustainable Funding Instruments issued under this Framework are used to finance Eligible Assets.

CBA has established a Green, Social and Sustainability Funding Steering Committee (the **Committee**) that meets at least quarterly and is responsible for this Framework, the review and approval of potential Eligible Assets, reviewing and maintaining a register of Eligible Assets (**Register**) and providing annual impact and assurance reporting. Additional support and guidance is provided by subject matter experts as required. The Committee is comprised of representatives from Retail Banking Services, Business Banking, Institutional Banking and Markets, Environmental and Social, Investor Relations and Group Treasury.

A high level overview of CBA's process for the evaluation and selection of Eligible Assets is outlined as follows.

Asset identification

- Each business unit is responsible for identifying potential Eligible Assets
- As part of this, the business unit will review the assets for compliance with this Framework and any relevant external standards (e.g. Climate Bonds Standard or the European Union Taxonomy for Sustainable Activities)
- Guidance may be sought from subject matter experts as required.

Review and approval

- A checklist will be completed and maintained to show how the proposed assets meet the eligibility criteria and whether any known or perceived environmental or social risks exist. Proposed assets are presented at the Committee meeting for consideration by the Committee members.
- The Committee will approve the assets for inclusion as an Eligible Asset, if they are satisfied the assets meet the criteria and there are no known or perceived environmental or social risks.
- Guidance may be sought from subject matter experts as required.



Management of proceeds

CBA has established monitoring and reporting processes that use internal systems to tag, track and report on the proceeds. CBA maintains a Register of Eligible Assets, which includes a sub-register of Green Eligible Assets and a sub-register of Social Eligible Assets. The Register is dynamic as Eligible Assets mature and new Eligible Assets are included on the Register.

The proceeds from the Sustainable Funding Instruments issued under this Framework are managed on a portfolio basis within the respective sub-registers. The Committee monitors the aggregate amount of Eligible Assets on the Register and each sub-register on a quarterly basis to ensure it exceeds proceeds from Sustainable Funding Instruments issued under this Framework.

CBA seeks to fully allocate the proceeds within 24 months. Any unallocated net proceeds are held in cash, cash equivalents or other liquid marketable instruments with CBA's Treasury and in accordance with its liquidity policies.

In the case of refinancing operating expenditure, the look-back period will be capped at 36 months.

Reporting

In order to ensure transparency, CBA prepares on an annual basis a Green, Social and Sustainability Impact Report, (as long as there is a sustainable financial instrument outstanding), which includes:

- The net proceeds of the Sustainable Funding Instruments issued under this Framework.
- The amount of relevant Eligible Assets on the relevant Register and a breakdown by:
 - Asset category
 - Share of financing versus refinancing
 - The estimated environmental and social impact of the use of the net proceeds, which may include the following performance measures identified, where data is available and subject to permitted disclosure in accordance with relevant confidentiality agreements, privacy, competition and other relevant regulation.

✦ The report is publicly available and published on commbank.com.au/sustainabilityinstruments



Examples of performance measures for Green Eligible Assets

Renewable energy

- Annual GHGs avoided (tCO₂-e)
- Total installed capacity (MW)
- Additional capacity of renewable energy plants constructed or rehabilitated (MW)

Low carbon buildings

- Annual GHGs avoided (tCO₂-e)
- Net lettable area of low carbon real estate (m²)
- Location and rating of low carbon buildings
- Energy consumption (kWh/m² per year)

Energy efficiency

- The amount of lettable area (m²)
- The rate at which the property exceeded the benchmark
- Annual GHGs avoided (tCO₂-e)
- Energy efficient savings (MW)

Low carbon transport

- Annual GHGs avoided (tCO₂-e)
- New clean infrastructure built (km)
- Number of passengers carried per annum

Sustainable water

- Volume of water saved/reduced/treated (m³)
- Total population served by the system

Pollution and waste management

- Annual GHGs avoided (tCO₂-e)
- Waste diverted from landfill (tonnes)

Land and agriculture

- Annual GHGs avoided (tCO₂-e)
- Hectares of land rehabilitated
- Number of trees planted per km² of land

Climate change adaptation

- Number of different climate change adaptation measures across temperature, wind, water and land related metrics
- AUD expenditure on climate change adaptation measures

Examples of performance measures for Social Eligible Assets

Health and healthcare

- Number of places in care facilities or patients served
- Bed density
- Number of facilities constructed or upgraded

Education and vocational training

- Number of students supported

Affordable housing

- Number of housing units built or refurbished
- Share of underserved tenants
- Rental costs compared to city average

Affordable basic infrastructure

- Number of target populations served

External review



Second party opinion

CBA has obtained a second party opinion from Sustainalytics to confirm that this Framework aligns with ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.

+ The second party opinion is published on commbank.com.au/sustainabilityinstruments



Post-issuance external verification

On an annual basis, an independent external auditor will be engaged to provide assurance on whether the Bank has complied with the obligations described within this Green, Social and Sustainability Funding Framework, in all material respects.



Green, Social and Sustainable Certification

CBA may request pre-issuance certification of any bonds, deposits or other liabilities that allocate their proceeds towards Eligible Assets to align to this Framework. In such cases, CBA will appoint a suitably qualified certifier to undertake the verification.



Important notice

The distribution of this document and of the information it contains may be the subject of legal restrictions in some countries. Persons who might come into possession of it must make inquiries as to the existence of such restrictions and comply with them.

The information contained in this material does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter a legally binding contract.

The information contained in this material is given in summary form and does not purport to be complete. The information in this document contains general commentary only and does not constitute investment or financial product advice. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors should consider these factors and consult with their own legal, tax, business and/or financial advisers in connection with any investment decision.

Although CBA has made every effort to ensure the information in this document is free from error, none of CBA or its related entities, nor any of their respective employees or any other person, warrants the accuracy, adequacy or completeness of the information in this document. There is currently no standard definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a “green”, “social” or “sustainable” or an equivalently-labelled project, nor can any assurance be given that such a standard definition or consensus will develop over time or that any prevailing market consensus will not significantly change.

The framework contains statements regarding CBA’s plans with respect to its possible issuances of Sustainable Finance Instruments and other statements about future events and expectations that are forward-looking statements. Although the Group currently believes the forward-looking statements have a reasonable basis, they are not certain and involve known and unknown risks and assumptions, many of which are beyond the control of the Group, which may cause actual results, performance, conditions, circumstances or the ability to meet commitments and targets set forth in the Group’s forward looking statements to differ materially from those expressed or implied in such statements. While the Group has prepared the information in this framework based on its current knowledge and understanding and in good faith, it reserves the right to change its views in the future. In particular, future events or circumstances may change the Group’s approach to possible Sustainable Funding Instruments issuances or result in changes to this framework. Thus, there can be no assurance that the financing for any project will be implemented in the manner set forth in this framework or achieve the results or outcome originally expected or anticipated by the Group or as contemplated by this framework. To the maximum extent permitted by law, responsibility for the accuracy or completeness of any forward-looking statements, whether as a result of new information, future events or results or otherwise, is disclaimed.

To the extent permitted by law, none of CBA or its related entities, nor any of their respective employees or any other person accepts any liability for any claim in respect of anything, and of the consequences of anything, done or omitted to be done by any person acting in reliance, whether wholly or partially, upon the information in this document.

The information in this document is subject to change without notice and none of CBA or its related entities, nor any of their respective employees or any other person, is under any obligation to update the information, correct any inaccuracy which may become apparent at a later date or amend the statements contained herein to reflect actual changes in assumptions or changes in factors affecting these statements or to otherwise notify any addressee if any information, opinion, projection, forecast or estimate set forth herein changes or subsequently becomes inaccurate. Climate-related data is underpinned by methodologies containing uncertainties, assumptions and

judgments that limit the extent to which they can be relied upon. This applies to all climate-related metrics, including (without limitation) historical metrics relating to emissions and forward-looking climate metrics.

The statements in this framework may be affected by a number of uncertainties and factors, including but without limitation to:

- Lack of common definitions and standards for climate related data;
- Reliance on third party data can lead to lags in time between available data and the publishing of the Group's reporting;
- Variation in climate related approaches and outcomes;
- Climate data, modelling and methodology is rapidly evolving, and this may directly or indirectly affect the metrics and data points used in the preparation of this report, and the targets contained in it; and
- Changes arising out of market practices and standards, including emerging and developing ESG standards.

The information in this material may reference or contain materials provided by third parties. While such material is published with permission neither the Group nor any of its employees or any other person, makes any representation, whether express or implied, or accepts any responsibility for the accuracy or completeness of any such material. The replication of any views in this document should not be treated as an indication that the Group agrees with or concurs with such views.

If any offer to sell or buy any securities issued by the Group is made, it will be done so pursuant to separate and distinct documentation. The final terms, pricing supplement, prospectus or information circular, as applicable, relating to any specific Sustainable Funding Instrument may provide that it will be CBA's intention to apply the proceeds of the subscription to Eligible Assets.

Commonwealth Bank of Australia
ABN 48 123 123 124 AFSL 234945



Contact us

As the green, social and sustainable bond markets continue to evolve, so too will CBA's approach to remain consistent with shifting expectations. Using this Framework, and applicable principles, guidelines, standards and taxonomies, CBA aims to continuously enhance its approach and respond to changes in industry best practice and market expectations.

This Framework will be reviewed at least biennially.

CBA welcomes feedback from our investors, stakeholders and market participants on our approach. Please email your comments to:

CBAFixedIncomeInvestors@cba.com.au



**Commonwealth
Bank**