CBA Environmental and Social Framework

CommonwealthBank

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> "We are becoming a better bank – one which acts transparently and does the right thing, and one which delivers better outcomes for all."

CBA Environmental and Social Framework

At the Commonwealth Bank of Australia, our purpose is to improve the financial wellbeing of our customers and communities. We recognise we have a responsibility to manage environmental and social risks, and to proactively identify opportunities that will help secure the financial wellbeing of Australians for generations to come.

Becoming a better bank means focusing on doing the right thing and being transparent about our progress and performance.

Our inaugural Environment and Social Framework recognises the interconnectedness of commercial, environmental, and social matters against the backdrop of changing community expectations. We will routinely review our Framework to ensure it continues to deliver value to all our stakeholders.

About our Environmental and Social Framework (the E&S Framework)

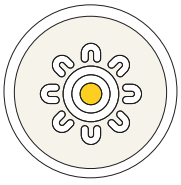
The environmental and social considerations outlined in this document reflect the most salient matters we have identified through feedback and engagement with our customers, people, communities, and shareholders.

The E&S Framework provides a reference point for our people and stakeholders on the minimum standards we seek to abide by, the targets and commitments we are working towards, and the governance and oversight in place to support our endeavours. The E&S Framework will continue to evolve over time to reflect changing community expectations, stakeholder feedback, or regulatory requirements.

Please note: all capitalised words and phrases used throughout this document are defined terms.

Five areas of focus

Climate change



Human rights

Biodiversity

Agriculture, forestry and fisheries

Defence

Laying the foundations

A point of reference

Our E&S Framework

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.

The E&S Framework is designed to allow for scalability while remaining focused on impact. The areas of focus will evolve over time to reflect the changing environmental and social context, community expectations and to account for new regulatory settings.

We are using our E&S Framework to inform our strategy to become a Simpler, Better Bank. We report on our progress and performance every year through our annual reporting and other reporting frameworks (see page 7).

Our E&S Framework: in context

The five areas of focus are supported by other important work being undertaken across the Bank, such as:

- Diversity and inclusion
- Financial inclusion
- Community giving
- Indigenous reconciliation
- Financial education
- Customer advocacy
- Privacy and data protection

Guiding principles and values

Our approach to environmental and social matters is underpinned by the following guiding principles:

- integrating environmental and social risk management into business practices and procedures;
- mitigating environmental and social risks through dedicated products and services;
- ensuring our behaviours, decisions and actions are aligned to the Group's Code of Conduct and Values Expectations;
- applying additional due diligence, where applicable, to lending and investments in sectors where impacts are high or sensitive, and jurisdictions where regulatory frameworks are not fully evolved;
- encouraging customers to mitigate environmental and social impacts by adopting better practice approaches, and demonstrating ways in which this can add value for them;
- ensuring our Suppliers adhere to our Supplier Code of Conduct, which sets out our minimum standards on socially responsible and sustainable sourcing, or an equivalent standard;
- staying abreast of the changing regulatory landscape and adapting to new requirements as necessary; and
- ensuring that there is appropriate governance of, and assurance over, adherence to our environmental and social commitments.

Best practice: guidelines, frameworks and initiatives

To help guide our approach to responsible banking, lending, investing, sourcing, and other financing decisions, we are supporters of, participants in, or signatories to the:

– Carbon Disclosure Project (CDP);

– Code of Banking Practice;

– Equator Principles;

– Paris Agreement (pursuant to UN Framework Convention on Climate Change);

– RE100;

– Task Force on Climate-related Financial Disclosures;

– UN Declaration on the Rights of Indigenous Peoples;

– UN Global Compact;

– UN Guiding Principles on Business and Human Rights;

– UN Principles for Responsible Investment; and

– UN Sustainable Development Goals.

Details on how we report on progress and performance can be found on page 7.

CBA Code of Conduct

The commitments laid out in our E&S Framework are underpinned by our Code of Conduct, which is the ultimate guide for how we do things at the Commonwealth Bank. The Code connects our purpose, values, expectations (with a 'should we?' test) and the key Group policies to help us deliver balanced and sustainable outcomes for all our stakeholders.

We are guided by our Values Expectations

- We do what is right
- We are accountable
- We are dedicated to service
- We pursue excellence
- We get things done

Read the CBA Code of Conduct

Governance and oversight

We are committed to embedding environmental and social considerations into our business processes and decision-making. Our approach is facilitated by our risk management framework, and by targets and minimum standards for a range of specific sectors.

Our Risk Management Approach documents the Group's key risk management practices across all major risk classes and supports our Code of Conduct. Our E&S Framework is underpinned by our internal Group Environmental and Social Policy (E&S Policy) and business unit-specific procedures. The E&S Policy applies to the Group, Directors, employees, and contractors. For those parts of the Group that are impacted by foreign or local laws, regulatory requirements, or contractual obligations that conflict with the E&S Policy, the more stringent standard applies.

The Group's Board is responsible for overseeing adherence to the E&S Policy and monitoring progress towards targets, while our People are responsible for meeting the requirements of the E&S Policy. Our senior leaders are responsible for promoting and championing the environmental and social considerations outlined in the E&S Policy through their business decisions and interactions.

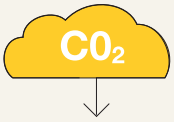
Breach of our E&S Policy may be regarded as misconduct, which can lead to disciplinary action (including termination of employment or engagement). Failure to follow relevant business unit-specific procedures may amount to a breach. Potential or realised breaches of the obligations outlined in our E&S Policy are escalated according to the Group Issues Management Procedure or Group Incident Management Procedure, and to relevant senior management.

Reviewing our policy settings

We are committed to working closely with all our stakeholders and will review our policy settings at least every two years to ensure our approach is fit for purpose.

Measuring and reporting on progress and performance

Becoming a better bank means focusing on doing the right thing and being transparent about our progress and performance.

Sustainability reporting	Our annual sustainability reporting can be found in the Group's Annual Report. Our reporting is aligned with the Global Reporting Initiative (GRI) Standards and we adopt the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for our climate change disclosures.
 **CDP reporting**	We report every year, through the CDP, on the steps we are taking across the Group to reduce our direct and indirect emissions, and thereby supporting the transition to a low carbon future.
Assessed emissions reporting	Every year, we report on the emissions arising from our business lending. These insights allow us to manage the associated risks and opportunities, and remain transparent with our stakeholders.
Equator Principles reporting	We became a signatory to the Equator Principles III (EPIII) in May 2014. We use the EPIII standards to assess, manage, mitigate, and monitor Environmental, Social, and Governance (ESG) risks in project-related financing and report annually on our progress.
Modern Slavery & Human Trafficking Statement	We report annually on our progress on identifying, managing, and mitigating risks of modern slavery in our operations and supply chains in compliance with UK and Australian laws.
Reconciliation Action Plan	Our first Reconciliation Action Plan (RAP) was launched more than 10 years ago. Our current RAP has achieved Elevate status through Reconciliation Australia.

Access our reporting suite

Areas of focus

We expect our business customers and suppliers to adhere to the minimum standards outlined in our E&S Framework. We are aware that some customers and suppliers will not meet all of these expectations all of the time. This may be due to operational issues outside of their control, or due to changes we have made where they need time to implement – for example, when we require our customers and suppliers to become a member of an industry body or gain certain certifications.

If this happens, we will work with our customers and suppliers to inform them about changes to our minimum standards and if necessary agree on a specific, time-bound action plan to address any issues or risks. If a customer or supplier is unable or unwilling to meet our minimum standards, we may choose to end the relationship subject to contractual obligations. We are committed to supporting our customers and suppliers in their endeavours to raise their performance in relation to environmental and social matters and associated risk management.

Balancing transparency with stakeholder privacy

We are committed to reporting on our environmental and social progress and performance in an open, timely, and transparent way. However, we take the privacy of our customers and other business relationships, such as our suppliers, seriously.

The relationship between the Bank and our potential, existing, or past customers and other external parties is confidential, and we have a Group-wide policy to not comment on or name any such relationships. We work with our customers and business partners to improve their practices and allow for greater transparency in their respective industries.

Climate change

Climate change is a driver of both financial and non-financial risks and has the potential to impact the long term financial wellbeing of Australia. Extreme weather events and the impacts of transitioning to a low-carbon economy have the potential to disrupt business activities, damage property, and otherwise affect the value of assets, and affect our customers' ability to repay loans.

We are addressing climate change by:

- supporting our customers and people in the transition to a low carbon economy;
- better understanding the impacts of climate change on the Bank;
- increasing the resilience of our business to climate risks; and
- taking advantage of opportunities created by climate change.

We are committed to playing our part in limiting climate change in line with the goals of the Paris Agreement and supporting the responsible global transition to net zero emissions by 2050. We are actively contributing to meeting these targets through our business practices in the following ways.

- **We continuously reduce our own Australia-based emissions by investing in smart technologies and practices, for example, by:**
  - sourcing renewable electricity for 100% of our Australian power needs by 2030 in line with our RE100 commitments;
  - offsetting unavoidable emissions to be carbon neutral using the NCOS and equivalent system;
  - increasing on-site renewable energy (solar PV) generation capacity to 2MW by 2025;
  - leasing all new main commercial office spaces, and designing and building all new retail branches with a minimum 5 star Green Star ratings;
  - maintaining operational performance of all main commercial spaces to a minimum of 4.5 stars as predefined by NABERS Tenancy Energy and NABERS Indoor Environmental Quality; and
  - transitioning to hybrid and battery powered business-related motor vehicles.
- **We support and advocate for our stakeholders, including our customers, to transition to a net zero emissions economy and seek balanced risk/reward opportunities to invest in their mitigation and adaptation innovation. We do this by:**
  - making $15 billion of funding available to Low Carbon Projects by 2025.
- **We ensure our business lending policies support the responsible transition to a net zero emissions economy by 2050, by:**
  - continuing to reduce our exposures to thermal coal mining and coal fired power generation, with the view to exiting the sector by 2030, subject to Australia having a secure energy platform.
  - only providing Banking and Financing activity to New oil, gas or metallurgical coal projects if supported by an assessment of the environmental, social and economic impacts of such activity, and if in line with the goals of the Paris Agreement;
  - recognising and supporting gas as a transition fuel, while working with our customers in accordance with our own climate scenario analysis, which is informed by the Intergovernmental Panel on Climate Change's guidance; and
  - targeting an average emissions intensity decrease of our business lending portfolio, as is consistent with our commitment to a net zero emissions economy by 2050.

- **We report clearly and openly on how we manage climate-related risks, and track our performance over time, by:**
  - keeping our stakeholders informed by providing regular and transparent disclosures in line with the Taskforce on Climate-related Financial Disclosures; and
  - providing relevant information to leading indices and initiatives, for example, the CDP and Dow Jones Sustainability Index.

Human Rights

Respect for human rights underpins the way we do business. We respect human rights, as set out in the International Bill of Human Rights, International Labour Organisation Declaration on Fundamental Principles and Rights at Work, and at a minimum, abide by the human rights-related laws of the countries where we operate.

Our commitment to respect human rights is guided by the United Nations Guiding Principles on Business and Human Rights. According to these principles, governments possess the primary duty to protect human rights; our responsibility is to respect human rights.

We constantly strive to understand and improve human rights impacts throughout our broader value chain and not purely where we have operational control. However, given our scale and diversity we are always at risk of indirect exposure to human rights impacts, particularly via our investment and procurement activities where more than one party may stand between us and the rights holders affected. Accordingly, we seek to understand our impacts and exercise influence where possible. The input of third parties in helping us fulfil this ambition is very important.

We respect human rights and seek to manage the risks of human rights abuses through our direct and indirect operations and supply chains in the following ways.

- **We respect the human rights of our employees, contractors, customers, secondees, visitors and volunteers by:**
  - ensuring our workplace is open, fair, inclusive and respectful of fundamental human rights regardless of age, gender, sexual orientation, culture, race, ability, religion or beliefs;
  - providing employee and customer Grievance Mechanisms that are fair, accessible and transparent; and
  - ensuring employees attest to our Code of Conduct and undertake mandatory training on the Group's Workplace Conduct Policy.
- **We respect human rights in our business relationships by:**
  - subjecting business lending decisions and investment processes to human rights standards aligned to the UN Global Compact Principles and UN Guiding Principles on Business and Human Rights;
  - supporting free, prior and informed consent for applicable project finance, as outlined by the Equator Principles, for Indigenous Communities impacted by project decisions or actions that could affect their land, territory, and natural resources;
  - actively identifying, managing, and mitigating the risks of modern slavery in our business operations and supply chains, as reported through the Group's annual Modern Slavery and Human Trafficking Statement;
  - engaging with our suppliers to promote the importance of human rights, mitigate the risks of modern slavery and remedy issues through the Group's Supplier Lifecycle Framework; and
  - creating opportunities for Indigenous-owned businesses throughout our supply chain as part of our Responsible Procurement program.
- **We expect our customers, suppliers and other business partners to identify, manage, monitor, and redress any adverse impacts on human rights where their business is involved, in line with international legislation.**

If any clients are identified as operating outside the law, or do not meet our requirements, we will engage with those clients and, if appropriate, may exit the banking relationship.

- **We respect the human rights of customers and communities by:**
  - treating all customers, existing and potential, fairly, in line with our Code of Conduct and the Banking Code of Practice;
  - taking steps to support customers and communities in times of hardship, for example, during prolonged illness or injury;
  - understanding and assisting customers in vulnerable circumstances, for example, those experiencing financial abuse or those who have fallen victim to a scam or fraud;
  - providing banking services that are accessible;
  - promoting and advancing Indigenous human rights through the commitments and targets outlined in our Reconciliation Action Plan; and
  - protecting the privacy of those individuals whose personal information we collect and handle, in accordance with our Group Privacy Policy.

Areas of focus (continued)

Biodiversity

Biodiversity underpins the wellbeing of our communities and the environment, and we recognise the risks associated with the degradation of ecosystems and natural resources. We respect the intrinsic, cultural, aesthetic, religious and economic value that biodiversity provides through healthy ecosystems.

We are committed to conserving, protecting and where possible improving existing biodiversity through our business processes and working with customers, communities and suppliers in the following ways.

- **We are committed to complying with, or exceeding, the requirements of environmental legislation relevant in all areas in which we operate.**
- **We do not provide project finance for the mining, exploration, or development of oil sands, or for oil and gas exploration and development in the Arctic.**
- **We ensure that our business lending does not result in the irrevocable damage of World Heritage sites, or other high value conservation areas defined by internationally recognised agencies.**
- **We continually reduce the environmental impact of our Australia-based operations, by:**
  - increasing our waste recycling rate to 80% in commercial office spaces by 2025; and
  - reducing the water consumption of our retail branches and commercial offices over time.
- **We recognise the challenges that water scarcity presents to Australia; we consider its impact as part of the environmental, social, and economic assessment of our Banking and Financing Activity.**

Agriculture, fisheries, and forestry

We support our customers in the agriculture, fisheries, and forestry industries, and encourage them to keep abreast of advances in industry sustainability standards, certifications and schemes, improving awareness around sustainable practices in the production and processing of soft commodities. We undertake our commitments in the following ways.

- **We are committed to keeping abreast of advances in industry sustainability standards, certifications and schemes, to be able to:**
  - encourage customers who are growers, producers, and/or processors of beef, cacao, coffee, cotton, Palm Oil, rubber, soybean and timber to gain industry-relevant sustainability certification, or equivalent standards, to demonstrate chain of custody; and
  - encourage our customers in the catching and/or primary processing of fish, to align with the recommendations of the FAO Code of Conduct for Responsible Fisheries, and/or gain certification under a credible scheme such as the MSC.
- **We are committed to improving awareness around biodiversity issues and mitigation:**
  - to encourage customers involved in projects or activities associated with logging to not be involved, either directly or indirectly, in any illegal production or trade of any timber-based products, particularly Old Growth Forests; and
  - of commitments made under CITES, so as to better identify, avoid and/or reduce the risk of activities being conducted in the international trade in specimens of wild animals and plants that may threaten their survival and are in breach of this Convention.
- **We continue to reduce our exposure to the growing and manufacturing of Tobacco-based products.**

Defence

We recognise the right of countries to defend themselves and protect their national security, and we acknowledge the potential irresponsible end-use of defence equipment is a key issue in this sector.

- **We will not knowingly support, invest in, or provide financial services to customers that buy, sell, manufacture or store:**
  - Controversial Weapons banned under international agreements to which Australia is a party; or
  - nuclear weapons outside NATO country government-controlled programs that are authorised under the Nuclear Non-Proliferation Treaty.

Definitions

Agriculture
Refers to the cultivation, processing and distributing of products including livestock, meat and dairy products, and soy, cotton, rubber, and cocoa.

Banking and Financing Activity
Defined as providing direct corporate lending, project finance, trade finance, IPOs and their distribution, risk management and transaction banking services.

CDP
Formerly the Carbon Disclosure Project.

CITES
Convention on International Trade in Endangered Species of Wild Fauna and Flora.

Controversial Weapons
Weapons banned under international agreements ratified by Australia. These include but are not limited to:

- nuclear weapons;
- biological weapons;
- chemical weapons;
- non-detectable fragment producing weapons;
- blinding laser weapons;
- anti-personnel land mines;
- cluster munitions;
- incendiary weapons; and
- depleted uranium ammunition.

DJSI
Dow Jones Sustainability Indices.

ESG
Environmental, Social and Governance.

FAO
Food and Agriculture Organisation.

Fisheries
Refers to the catching, processing, or selling of fish, shellfish or other aquatic animals for direct consumption or leisure purposes.

Forestry
Refers to the cultivation and felling of trees, and downstream users involved in the milling of timber for pulp, paper, sawn timber and veneer, and operations which process, distribute and use products from forests such as timber and paper.

Grievance Mechanisms
A procedure with a defined structure for resolving workplace disputes.

International Bill of Human Rights
Includes:

- Universal Declaration of Human Rights;
- International Covenant on Economic, Social and Cultural Rights; and
- International Covenant on Civil and Political Rights and its two Optional Protocols.

Low Carbon Target
Comprises of eligible projects identified as green project categories according to the Loan Market Association's Green Loan Principles. Eligible projects include renewable energy, 6-star rated commercial green buildings, energy efficiency, and low carbon transport.

MSC
Marine Stewardship Council.

NABERS
National Australia Built Environment Rating System.

NATO
North Atlantic Treaty Organization

NCOS
National Carbon Offset Standard.

New
Can apply to both brownfield and greenfield projects. A 'brownfield' mine or basin is one that has been previously developed or operated, and a 'greenfield' mine or basin is one which has not.

Old Growth Forests
Ecologically mature forests (also known as 'virgin forests') where the effects of human disturbances are negligible.

Palm Oil
Refers to palm oil plantations and mills, scheme smallholders, independent small holders, and palm oil refiners and related traders.

Personal Information
Information relating to an identified, or reasonably identifiable, individual. An individual is reasonably identifiable if they can be identified from the Personal Information and other information to which the Group has, or is likely to have access to.

PV
Photovoltaic (solar energy).

RAP
Reconciliation Action Plan.

RE100
Renewable Energy 100.

Supplier
A person, organisation or entity that provides goods or services to the Group. The term does not include investment managers.

Tobacco
Refers to upstream tobacco growers and processors; and downstream tobacco leaf traders and product manufacturers.

UNESCO
United Nations Educational, Scientific and Cultural Organisation.

Values Expectations
Values that the Group stands for and uses to guide its decisions. These are: we do what is right; we are accountable; we are dedicated to service; we pursue excellence; and we get things done.

This document may be subject to change from time to time at Commonwealth Bank's discretion.

CommonwealthBank