

# Green, Social & Sustainability Funding Framework



## About this document

This document (Framework) 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) or Climate Bonds Initiative (CBI).

The Framework satisfies the requirements of Programmatic Certification for Green Bonds under the Climate Bonds Standard (CBS).

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
- Deposits and other liabilities

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

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# 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 economic recovery and transition
- Reimagined products and services
- Global best digital experiences and technology
- Simpler, better foundations.

## Our environmental and social commitments

We recognise that 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. 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 Group Environmental and Social Policy (E&S Policy) outlines our areas of focus, approach and commitments on climate change, human rights, biodiversity, agriculture, forestry and fisheries and defence.

The CBA Environmental & Social Framework is underpinned by our internal Environmental & Social Policy. It 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.



## Our approach to managing environmental and social risk



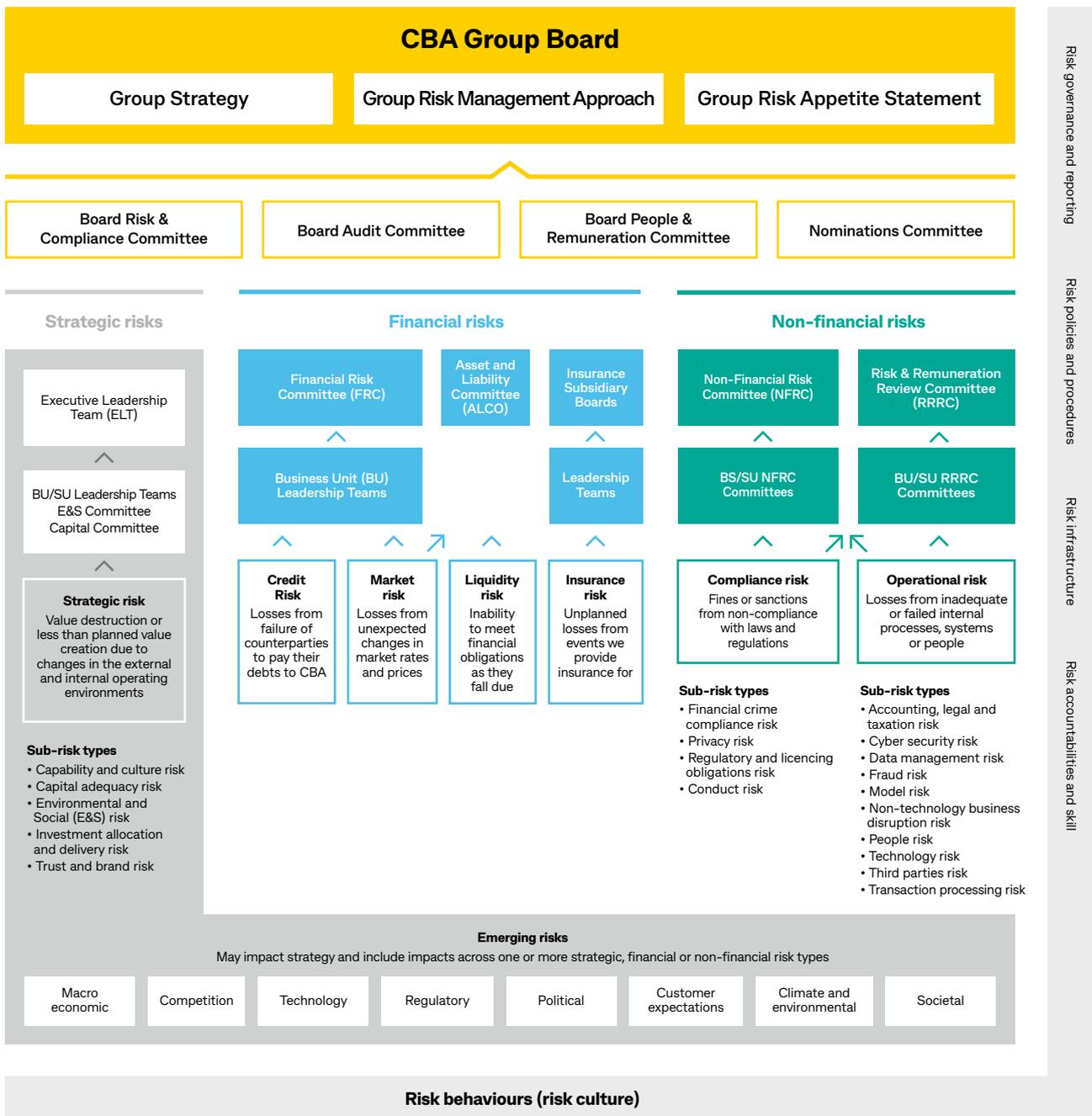
### Governance and oversight

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.

The CBA Board is responsible for approving the E&S Policy and overseeing adherence to it, 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. The Group's Code of Conduct governs conformance of our people with the Group's Values and policies, including the E&S Policy. Breach of our E&S Policy may be regarded as misconduct, which can lead to disciplinary action (including termination).

## Risk Management Framework

The diagram below outlines the Risk Management Framework for managing the Bank’s Material Risk types and their sub-risk types. The Environmental and Social (E&S) Committee has been established to elevate governance over E&S as a strategic sub-risk.





## Our support for the transition to a net zero economy

We are committed to playing our part in limiting climate change in line with the goals of the Paris Agreement and supporting the transition to net zero emissions by 2050. As Australia's largest financial institution, we recognise our important role helping our customers transition to a low carbon future. Some of our commitments are listed below, further details are outlined in our latest Annual Report and Environmental & Social Framework.

- Providing \$70 billion of cumulative Sustainability Funding by 2030 <sup>1</sup>
- Sourcing renewable electricity equivalent to 100% of our power needs globally
- Increasing on-site renewable energy (solar PV) generation capacity to 2MW by 2025
- Reducing Scope 1 and 2 greenhouse gas emissions by 42% by 2030 (from FY20)
- Reducing upstream Scope 3 greenhouse gas emissions by 25% by 2030 (from FY20)
- Developing priority sector-level glidepaths informed by science-based climate scenarios
- Reducing our existing project finance exposure to Thermal Coal Mines and coal-fired power plants to zero by 2030, subject to Australia having a secure energy platform.

<sup>1</sup> Examples of eligible projects include renewable energy, low carbon transport, energy efficiency and commercial green property. The full definition and progress will be published with CBA's [Annual Report](#).

## Our support for our customers and the community

Supporting our customers in a fair, timely and transparent way is part of delivering on our strategy. We are committed to making a positive contribution to the communities we serve.

Our efforts to build a brighter future for all include some of the following:

- Providing banking services that give customers control and are accessible and affordable, including by investing in digital innovation
- Taking steps to support customers and communities in times of need, for example, those impacted by natural disasters
- Supporting customers in vulnerable circumstances, for example, those experiencing domestic or financial abuse, through our Next Chapter program
- Promoting and advancing the social, economic and financial wellbeing of Indigenous communities through the commitments and targets outlined in our Reconciliation Action Plan
- Seeking to identify and mitigate slavery and human trafficking in our business and supply chain as described in our annual Modern Slavery and Human Trafficking Statement.

We also support our clients in their environmental and social endeavours. We have dedicated staff in our Institutional and Business banking teams pursuing opportunities in sustainable finance to help build a better Australia.

## Global principles and policies

We continue to evolve our approach in line with global best practice and feedback from our stakeholders.

### Aligned to society's goals

We are signatories to international programs of action.



### Our policies and targets

We drive focus and progress on our commitments through our policies. Key policies include:

- Environmental and Social Policy
- Supplier Code of Conduct
- Diversity and Inclusion Policy
- Accessibility and Inclusion Policy
- Workplace Health and Safety Policy

+ View our policies: [commbank.com.au/policies](http://commbank.com.au/policies)

### Transparently reporting progress

We report our progress in line with key frameworks and standards.



+ View our performance reports: [commbank.com.au/CRreporting](http://commbank.com.au/CRreporting)

### Assessing our performance

We benchmark our progress using leading sustainability indices and surveys.



### Relevant UN Sustainable Development Goals



# 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 Funding instruments issued may include:

- Unsecured Bonds (senior or subordinated)
- Covered Bonds
- Asset-backed or Residential Mortgage-backed Securities
- Deposits and other liabilities.

The Sustainable Funding Instruments issued under this Framework will align with ICMA's Green Bond Principles (2021), the Climate Bonds Standard, ICMA's Social Bond Principles (2021), or the ICMA Sustainability Bond Guidelines (2021) by satisfying certain criteria in the following areas:

1. Use of proceeds
2. Process for asset evaluation and selection
3. Management of proceeds
4. Reporting.

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## Use of proceeds

### 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 assets (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
- CBA assets that meet the definition of Green Eligible Assets and Social Eligible Assets (Sustainability 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:

- Aviation and shipping
- Defence and security
- Fossil fuels
- Gambling
- Mining
- 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
<b>Renewable Energy</b>	<p>Loans or investments aimed at financing the equipment, development, manufacturing, construction, operation, distribution and maintenance of Solar PV, Wind (onshore and offshore) or Hydro<sup>1</sup>, including:</p> <ul style="list-style-type: none"> <li>• Electricity generation facilities</li> <li>• Wholly dedicated transmission infrastructure, including inverters, transformers, control systems</li> <li>• Electrochemical energy storage systems.</li> </ul>	 
<b>Green Commercial Buildings</b>	<p>Loans related to existing or new construction of commercial buildings that follow the below criteria:</p> <ul style="list-style-type: none"> <li>• Buildings must be in the top 15% of their city in terms of emissions performance in accordance with Climate Bonds Initiative standards for Australia. This "hurdle rate" in emissions terms ratchets down to net zero carbon emissions in 2050. Recognised standards are to a minimum standard of Green Star 5, NABERS 5, or BREEAM Excellent certification.</li> </ul>	
<b>Green Residential Buildings</b>	<p>Mortgage Loans related to existing or new construction/renovation of residential buildings that follow the below criteria:</p> <ul style="list-style-type: none"> <li>• Mortgage loans to finance new residential buildings which represent the top 15% of properties in the relevant jurisdiction. E.g. that comply with energy efficient local building codes that are used as a proxy for the achievement of the 15% hurdle rate, in accordance with Climate Bonds Standards for Australia, Green Building Council of Australia or NatHERS.</li> <li>• Mortgage loans for a property that has renewable energy output in accordance with Climate Bond Standards for Australia, or Green Building Council of Australia.</li> </ul>	 
<b>Energy Efficiency</b>	<p>Loans related to activities that contribute to the reduction of energy consumption, help manage and store energy and contribute to increase the share of renewable energy in the network, such as:</p> <ul style="list-style-type: none"> <li>• Upgrade projects: Energy efficient investments in new or refurbished buildings which result in energy savings of at least 30%; including but not limited to retrofit, installation of LED lighting, thermal insulation and/or upgrade of heating/cooling system</li> <li>• Smart grid investments for efficient transmission and distribution of energy.</li> </ul>	   
<b>Clean Transportation</b>	<p>Loans related to low carbon transport assets and the acquisition, development, manufacturing, construction, operation and maintenance of infrastructure dedicated to low-carbon transport, such as:</p> <ul style="list-style-type: none"> <li>• Energy efficient private and public transport<sup>2</sup> (including the conversion of public fleets electric or hybrid bus fleets and bicycle schemes)</li> <li>• Development and upgrade of electrified rail transport for passengers and goods<sup>3</sup> (expansion of train/metro and tram networks, projects in relation to capacity improvement and station upgrades)</li> <li>• Non-diesel rolling stock<sup>3</sup></li> <li>• Infrastructure related to and supporting charging stations.</li> </ul>	 

<sup>1</sup> Based on CBI Hydropower criteria.

<sup>2</sup> CO<sub>2</sub> emission threshold of <50gCO<sub>2</sub>e/p-km for buses; <25gCO<sub>2</sub>/t-km for heavy trucks; <75gCO<sub>2</sub>/km for private passenger vehicles; <75gCO<sub>2</sub>/km for light commercial vehicles; <50 gCO<sub>2</sub>e/p-km for passenger rail; and <25gCO<sub>2</sub>/t-km for freight rail. Evidence of testing procedures to calculate these thresholds is required.

<sup>3</sup> Fossil fuel freight must not be more than 25% of the freight transported (tonne/km).

Eligibility category	Green Eligible Asset description	UN SDGs alignment
<b>Sustainable Water and Wastewater Management</b>	<p>Loans related to activities that improve water quality, distribution efficiency and conservation, such as:</p> <ul style="list-style-type: none"> <li>• Water treatment infrastructure, including wastewater treatment systems</li> <li>• Engineered water infrastructure for flood defence, storm water management or drought resilience.<sup>1</sup></li> </ul>	  
<b>Pollution Prevention and Control</b>	<p>Loans related to activities that contribute to soil remediation, waste prevention and collection (excluding hazardous waste), waste reduction and waste recycling, such as:</p> <ul style="list-style-type: none"> <li>• The development, operation and upgrade of physical recycling facilities for metals, plastic or paper</li> <li>• Recycling or composting to divert waste from landfill</li> <li>• Organic waste treatment and composting</li> <li>• Organic waste to energy power generation projects, excluding waste from non-RSPO-certified palm oil operations</li> <li>• Landfill gas collection power generation projects for closed landfills with 75% or more gas capture efficiency (excludes plastics, rubber and tyre-derived fuels to fuel conversion and landfill gas capture for flaring).</li> </ul>	  
<b>Environmentally sustainable management of living natural resources and land use</b>	<p>Loans related to sustainable farming and natural capital management practices in accordance with the ICMA Green Loan Principles, such as:</p> <ul style="list-style-type: none"> <li>• Soil carbon sequestration and development of carbon sinks. For financing projects only and excludes the purchase or trading of Australian Carbon Credit Units (ACCU) or general purpose loans to ACCU holders.</li> <li>• Conversion to no till farming, transitioning land-use from monoculture to polyculture</li> <li>• Rainwater harvesting, irrigation recycling and the installation of watering systems</li> <li>• Land acquisition for the purpose of establishing or extending native forests, tree planting and the installation of shelter belts.</li> </ul>	 
<b>Climate change adaptation</b>	<p>Loans relating to making infrastructure more resilient to impacts of climate change (with a Vulnerability Assessment and Adaptation Plan).</p>	 

<sup>1</sup> 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
<b>Health, Healthcare and Wellbeing</b>	<p>Funding or financing related to the acquisition, construction, equipment or operation of activities that expand access to healthcare, such as:</p> <ul style="list-style-type: none"> <li>Public hospitals, clinics and healthcare centres</li> <li>Private hospitals which are not for profit</li> <li>Aged care services that meet the Australian Government supported resident ratio to be eligible for the higher amount of accommodation supplement.<sup>1</sup></li> </ul>	  
<b>Education and Vocational Training</b>	<p>Funding or financing related to the acquisition, construction, equipment or operation of activities that expand access to education, such as:</p> <ul style="list-style-type: none"> <li>Tertiary or vocational education that is public or not for profit</li> <li>Activities that improve educational infrastructure, such as construction of campuses or training facilities</li> <li>Programs that support financial education.</li> </ul>	 
<b>Affordable Housing</b>	<p>Funding or financing related to the acquisition, construction and/or operation of activities that expand the access to adequate, safe, affordable housing to people from low socio-economic groups<sup>2</sup>, victims of domestic or family violence or Aboriginal and Torres Strait Islander peoples, such as:</p> <ul style="list-style-type: none"> <li>Financing housing associations or community housing providers</li> <li>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.</li> </ul>	  
<b>Affordable basic infrastructure</b>	<p>Funding or financing relating to the provision of:</p> <ul style="list-style-type: none"> <li>Clean drinking water, sewers or sanitation where the Integrated Water and Power Plant (IWPP) or Desalination plant is not fossil fuel powered</li> <li>Transport, where vehicles meet the CO<sub>2</sub> emission standards within the jurisdiction or roads and bridges in underdeveloped rural areas without connectivity</li> <li>Energy, where the transmission grid is not connected to a dedicated fossil fuel power plant (coal/oil/natural gas) and is providing electricity access to areas where there is no, or substantially inadequate, access.</li> </ul>	   

<sup>1</sup> Supported residents are currently defined by the Australian Government as low means, supported, concessional and assisted residents, the current ratio is 40%.

<sup>2</sup> Low socio-economic groups are defined as people who are homeless or are in receipt of Australian Commonwealth Rent Assistance.

## 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 chaired by the Head of Term Funding and is comprised of representatives from Retail Banking Services, Business Banking, Institutional Banking & Markets, 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.

### 1. Asset identification

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

### 2. Review and approval

- a) A report detailing how the proposed assets meet the eligibility criteria will be tabled at the Committee for consideration by the Committee members
- b) The Committee will approve the assets for inclusion as an Eligible Asset, if they are satisfied the assets meet the criteria
- c) 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 Eligible Assets. CBA will maintain a Register of Eligible Assets, which will include a sub-register of Green Eligible Assets and a sub-register of Social Eligible Assets. The Register will be dynamic as Eligible Assets mature and new Eligible Assets are included on the Register.

The proceeds from the funding instruments issued under this Framework will be managed on a portfolio basis within the respective sub-registers. The Committee will monitor the aggregate amount of Eligible Assets on the Register and each sub-register on a quarterly basis to ensure it is equal to or greater than the aggregate amount of Sustainable Funding Instruments issued under this Framework.

CBA will seek to fully allocate the proceeds within 24 months. Any unallocated proceeds will be held in cash, cash equivalents or other liquid marketable instruments with CBA's treasury and in accordance with its liquidity policies.

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## Reporting

In order to ensure transparency, CBA will prepare on an annual basis a Green, Social and Sustainability Report, which will include:

- 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, using the Performance Measures identified on the following page.

The report will be publicly available and published on [commbank.com.au/sustainabilityinstruments](http://commbank.com.au/sustainabilityinstruments).

## Examples of performance measures for Green Eligible Assets

### Renewable energy

- CO<sub>2</sub> emissions avoided (tCO<sub>2</sub>e)
- Total installed capacity (MW)
- Reduction in particulate matter (tonnes).

### Green buildings

- CO<sub>2</sub> emissions avoided (tCO<sub>2</sub>e)
- Floor space of green real estate (m<sup>2</sup>)
- Location and type of certified Green Buildings
- Energy consumption (kWh/m<sup>2</sup> per year).

### Energy efficiency

- The amount of lettable area (m<sup>2</sup>)
- The rate at which the property exceeded the benchmark
- CO<sub>2</sub> emissions avoided (tCO<sub>2</sub>e)
- Energy efficient savings (MW).

### Clean transportation

- CO<sub>2</sub> emissions avoided (tCO<sub>2</sub>e)
- New clean infrastructure built (km)
- Number of passengers carried per annum.

### Sustainable water and wastewater management

- Volume of water saved/reduced/treated (m<sup>3</sup>)
- Total population served by the system.

### Pollution prevention and control

- CO<sub>2</sub> emissions avoided (tCO<sub>2</sub>e)
- Waste diverted from landfill (tonnes).

### Land use

- CO<sub>2</sub> emissions avoided (tCO<sub>2</sub>e)
- Hectares of land rehabilitated
- Number of trees planted per km<sup>2</sup> of land.

### Climate change adaptation

- Number of different climate change adaptation measures
- 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
- Number of educational grants given.

### 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](https://commbank.com.au/sustainabilityinstruments).

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## Post-issuance external verification

On an annual basis, an external auditor will verify the tracking of the proceeds of Sustainable Funding Instruments issued under this Framework, that Eligible Assets financed or refinanced from such proceeds conform with the Framework and provide a third party assurance.

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## Green, Social and Sustainable Certification

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

# Important notice

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# Feedback

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](mailto:CBAFixedIncomeInvestors@cba.com.au)



Commonwealth  
Bank

