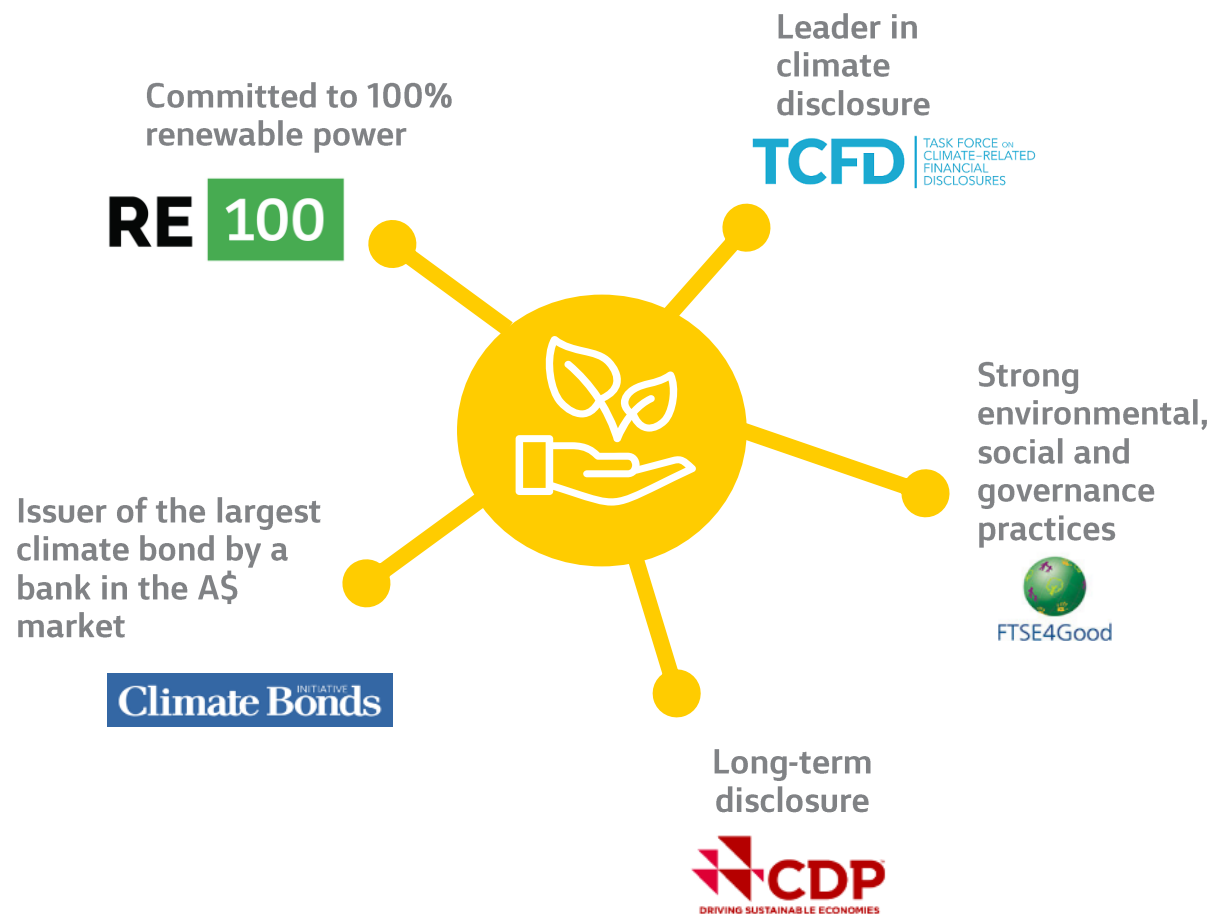


Photo Credit: CWP Renewables

CBA 2017-2022 Climate Bond Annual Impact Report

June 2019

Leading Corporate Sustainability



For climate-related financial disclosures, please refer to the 2018 Annual Report (pages 48-60), available at: <https://www.commbank.com.au/content/dam/commbank/about-us/shareholders/pdfs/results/fy18/cba-annual-report-2018.pdf>

CBA's Commitment to Responsible Lending

Highlights from CBA's 2018 Annual Report and recent media releases

Supporting the transition to a low carbon economy

In the 2018 financial year, we have arranged \$2.01 billion of climate bonds. This is in addition to the A\$650 million climate bond that CBA issued in March 2017. Our bond is backed by Australian renewable and low carbon assets including wind power generation, green buildings and low carbon transport projects.

In addition to our own climate bond, we have also arranged the following:

- A \$116 million 20-year US Private Placement climate bond for Monash University to finance a low carbon Technology & Education Building which aligns with Green Bond Principles and Climate Bonds Initiative standards;
- A \$300 million 7-year Australian dollar green bond for the World Bank to finance projects that promote the transition to low-carbon and climate resilient growth;
- A \$300m asset backed securitisation for FlexiGroup, of which \$91 million was a Climate Bond Certified green bond to finance solar energy related assets.

We have continued our support in energy efficiency assets through our \$300 million partnership with the Clean Energy Finance Corporation through the Energy Efficient Equipment Finance program.

Renewable energy

Our lending exposure to renewable electricity generation continues to increase. At 30 June 2018, our exposure to renewable energy projects was \$3.7 billion, up from \$2.8 billion last year.

We were also ranked number one for Mandated Lead Arranger financing roles of renewables projects in Australia and ranked 18th globally.

In support of the renewable energy market, in the past year, we have completed a number of significant transactions in Australia and overseas. In December 2018, we participated in the financing of the 180MW Warradarge Wind Farm, a \$390 million greenfield development. This wind farm will generate the equivalent of the average annual electricity needs of 135,000 Western Australian homes.

Developed by Bright Energy Investments (a partnership between Synergy, DIF and Cbus), the 51 turbines will be among the largest in Western Australia with a tip height of 152 metres, and will generate first power in 2020. The construction of the wind farm is expected to create up to 200 jobs.

Renewable industry advocacy

In the 2017 financial year, we set ourselves a Low Carbon Target of \$15 billion by 2025. Our progress to date shows our exposure to low carbon projects as at 30 June 2018 is \$7.3 billion.

In November 2018, CBA signed a 12 year Power Purchasing Agreement to receive 96,000 megawatt hours annually from Sapphire Wind Farm in northern NSW, a project to which CBA was also a key financier. As of January 2019, the Group sourced 65% of its national electricity needs from renewable energy. CBA was also the first Australian corporate to join the global Renewable Energy 100 initiative – committing to 100% renewable energy by 2030.

In 2019, we joined other financial institutions to form the Australian Sustainable Finance Initiative, committed to dealing with climate change and promoting innovative ways to raise financing for renewable energy projects.

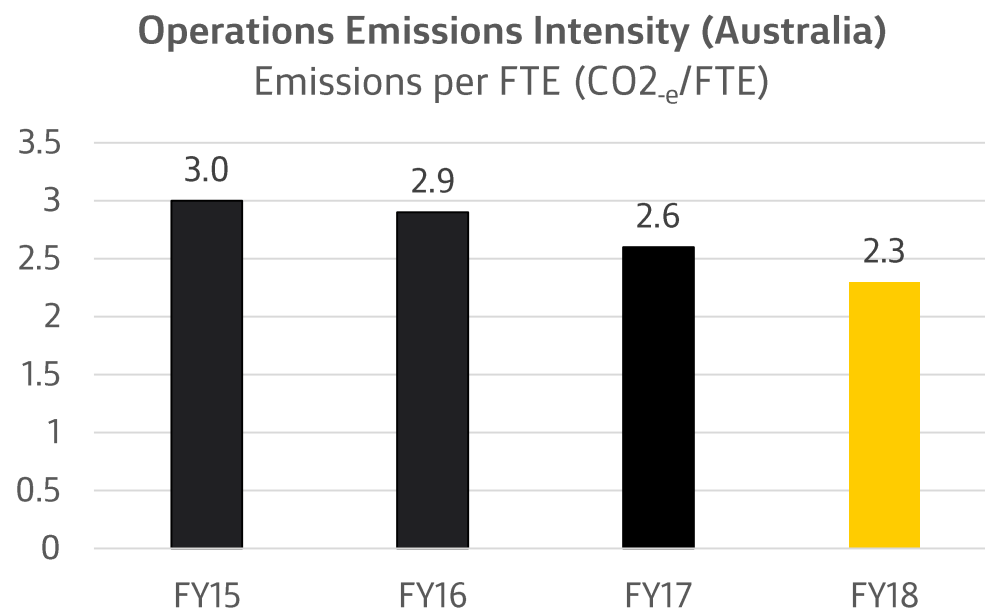
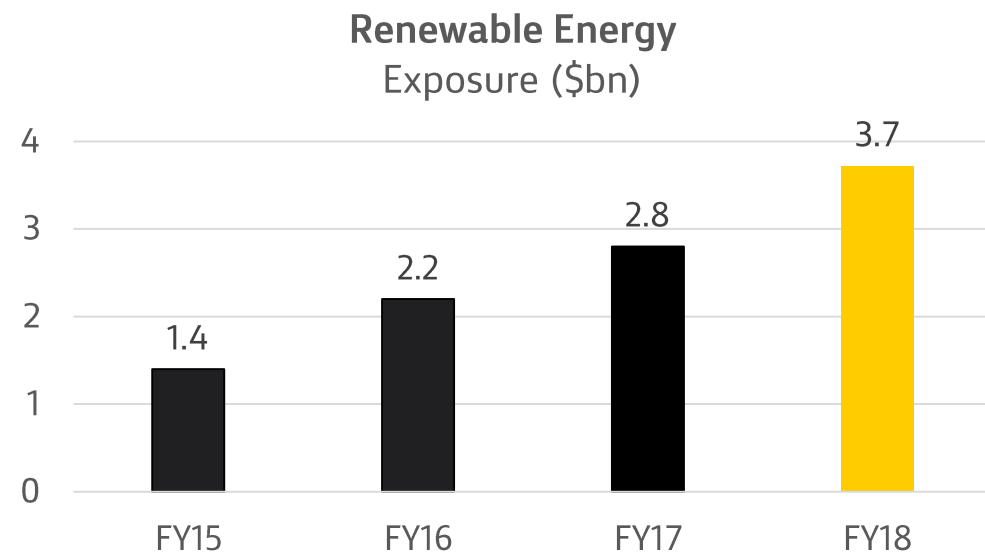
Please see the Commonwealth Bank Climate Policy Position Statement for further information:

<https://www.commbank.com.au/content/dam/commbank/assets/about/opportunity-initiatives/CBA-Climate-Policy-Position-Statement.pdf>

Corporate Responsibility

Performance Data – 2018 Financial Year Results

Our **key non-financial performance metrics** demonstrate CBA's increased investment in renewable energy and our commitment to decreasing our level of emissions per FTE.



For metrics definitions, please refer to the 2018 Annual Report (page 294), available at: <https://www.commbank.com.au/content/dam/commbank/about-us/shareholders/pdfs/results/fy18/cba-annual-report-2018.pdf>

Climate Bond Framework

CBA Climate Bond

Our objective is to ensure that we meet our responsibility to safeguard the environment and support economic growth and development

- The issuance of a CBA Climate Bond represents a key opportunity for CBA to play a role in the transition to a low carbon economy, through supporting low carbon and climate resilient projects and assets.
- The CBA Climate Bond involved the issuance of a senior unsecured medium term note denominated in Australian dollars with a 5 year tenor paying a fixed and/or floating rate semi-annual/quarterly coupon.
- Issuance proceeds fund eligible projects in renewable generation, energy efficient buildings and low carbon transport. Projects which comply with the Climate Bond Standards and are eligible for certification have been nominated for this climate bond (“Nominated Projects”).
- The Climate Bond Initiative (“CBI”) is a not-for-profit organisation. Its stated aim is to promote large-scale investments that will deliver a global low-carbon economy. The Climate Bond Initiative has developed standards for certification of eligible bonds.
- CBA Climate Bond ranks pari-passu with all other CBA senior unsecured debt. The payment obligations on the CBA Climate Bond are not dependent on the performance of the Nominated Projects.

Nominated Projects

- The Nominated Projects associated with the CBA Climate Bonds have been certified by the CBI.
- Compliance with the Climate Bond Standards version 2.1 has been independently verified by Ernst & Young.
- To comply with the Climate Bond Standards, it is the intention that CBA’s aggregate interests in Nominated Projects will exceed the amount of the CBA Climate Bond.
- Eligible projects that meet the eligibility criteria of the Climate Bond Standards could be Nominated Projects including (but not limited to):
 - Solar
 - Wind
 - Hydro Power
 - Low Carbon Transport
 - Energy efficient buildings
- Introduction of any new Climate Bond Standards will also be adopted.

Climate Bond Use of Proceeds Assets

Nominated Projects Drawn Loan Balance	Nominated Projects (#)	CBA Climate Bond
\$881m	11	\$650m

Existing Assets	State	Sector
Blayney Wind Farm	NSW	Energy – Wind Farm
Collgar Wind Farm	WA	Energy – Wind Farm
Crookwell Wind Farm	NSW	Energy – Wind Farm
Snowtown Wind Farm	SA	Energy – Wind Farm
Wattle Point Wind Farm	SA	Energy – Wind Farm
Canberra Light Rail	ACT	Low Carbon Transport
Low Carbon Transport 1	NSW	Low Carbon Transport
Low Carbon Transport 2	QLD	Low Carbon Transport
Low Carbon Transport 3	NSW	Low Carbon Transport
50 Lonsdale St, Melbourne	VIC	Low Carbon Commercial Property
913 Whitehorse Road, Box Hill	VIC	Low Carbon Commercial Property

Note: Nominated projects drawn loan balance as at April 2019

Environmental Impacts

CBA's Climate Bond has contributed financing towards projects which have delivered the following environmental benefits:

- Approximately 1,886kt of GHG emissions avoided in totality as a result of renewable energy projects
- Low carbon transport projects to reach progressive stages of completion commencing in 2019, and will gradually replace more emissions-intensive transport options
- Commercial buildings performed 35% better than the green bond benchmark in terms of energy efficiency

Energy – Wind¹

Share of Portfolio Financing (%)	Emissions avoided as a result of projects (CO ₂ p.a.)	Pro-Rata Emissions Avoided (CO ₂ p.a)
18%	1,886kt	167kt

Low Carbon Transport²

Share of Portfolio Financing (%)	Passengers p.a
53%	N.A

Low Carbon Commercial Property³

Share of Portfolio Financing (%)	Lettable (m ²)	% Lower than Benchmark	Pro-rata Emissions Lower than Benchmark (CO ₂ p.a)
29%	86,550	35%	633t

Calculation Notes

- (1) Pro-rata annual emissions avoided were calculated as CBA's debt outstanding as a proportion of total capital for each individual asset, multiplied by the total emissions avoided by each individual asset, and then summed for all assets in the Energy - Wind asset class. Figures for total emissions avoided are sourced from company websites where available, or otherwise calculated by multiplying estimated annual generation (MWh) by grid emissions intensity of 0.803tCO₂e/MWh (National Energy Market Cal 2018)
- (2) Passenger numbers were not available for Low Carbon Transport projects as at April 2019.
- (3) Figures sourced from the CBI Commercial Property CO₂ Target Calculator, located at <https://www.climatebonds.net/standard/buildings/commercial/calculator>. Total Lettable Area (m²) = 86,550. Average Intensity (kgCO₂/m² p.a) = 50.30, Benchmark = 77.75. Pro-rata emissions lower than benchmark is calculated as CBA's debt outstanding as a proportion of total capital for each individual asset, multiplied by the total emissions less than CBI benchmark for each individual asset, and then summed for all assets in the Low Carbon Commercial Property asset class.

Independent Assurance Statement



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Independent Reasonable Assurance Report in relation to post-issuance assurance of the Commonwealth Bank of Australia's 2017 Climate Bond

Assurance conclusion

Based on our reasonable assurance procedures, as described in this statement as of 02 May 2019, in our opinion Commonwealth Bank of Australia's bond post-issuance processes in relation to its 2017 Climate Bond meet the selection of nominated projects and assets, internal processes and controls, and reporting post-issuance requirements of the Climate Bond Standard, in all material respects.

Scope

We have performed a reasonable assurance engagement for the Management and Directors of the Commonwealth Bank of Australia (CBA) in relation to the use of funds raised through the issuance of a Climate Bond ('The Bond') in order to provide an opinion as to whether the subject matter detailed below meets, in all material respects, the criteria of the Climate Bond Standard ('CBS') as of 02 May 2019.

Subject Matter

The subject matter for our Climate Bond post-issuance assurance is limited to:

- ▶ Total debt exposure to eligible wind energy generation and related infrastructure, low carbon transport, low carbon commercial building projects, and solar energy generation and related infrastructure, exceeding the combined total bond issuance value of AUD650m (being CBA's original Climate Bond value) as at 28 February 2019
- ▶ Management of Climate bond proceeds
- ▶ Reporting on use of proceeds and project performance

Criteria

The criteria for our procedures ('the criteria') is:

- ▶ Climate Bond Standard v2.1
- ▶ Climate Bond Standard sector specific guidelines:
 - ▶ Solar Energy
 - ▶ Wind Energy
 - ▶ Low Carbon Buildings (Commercial Buildings)
 - ▶ Low Carbon Land Transport

Management Responsibility

Management of CBA ('Management') is responsible for the collection, preparation, and presentation of the subject matter in accordance with the criteria and for maintaining adequate records and internal controls that are designed to support the Climate Bond issuance process.

Assurance Practitioner's Responsibility

Our responsibility is to express a reasonable assurance conclusion as to whether the subject matter is presented in accordance with the criteria, in all material aspects. Our assurance engagement has been planned and performed in accordance with the Australian Standard on Assurance Engagements 3000 (revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE 3000') and ASAE 3100: *Compliance Engagements* ('ASAE 3100').

Level of Assurance

A reasonable assurance engagement consists of making enquiries and applying analytical, controls testing, and other evidence-gathering procedures that are sufficient for us to obtain a meaningful level of assurance as the basis for a positive form of conclusion. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the specific activity data, whether due to fraud or error. While we considered the effectiveness of Management's internal controls when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Important Information

The Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945 (the “Bank”), is incorporated in Australia with limited liability. The Bank and its subsidiaries, including Commonwealth Securities Limited, Commonwealth Australia Securities LLC, and CBA Europe Ltd, are domestic or foreign entities or business areas of the Commonwealth Bank Group of Companies (“CBGOC”). CBGOC and their directors, employees and representatives are referred to in this Disclosure and Disclaimer as “the Group”.

Background information only

The material in this document is general background information about the Group’s activities current at the date of the document. We believe that the information in this document is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this report. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by the Group.

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