2023
Climate Report

Commonwealth Bank of Australia

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Italicised words and *phrases* are defined in our glossary. Click on the word or phrase to view the definition.

Important information

All figures and commentary relate to the full year ended 30 June 2023 and comparisons are to the full year ended 30 June 2022, except for *financed emissions* and sector-level performance which are for the full year ended 30 June 2022 and comparisons are to the full year ended 30 June 2021, unless otherwise indicated. *Financed emissions* are lagged as 2023 customer emissions data is not reported ahead of our report's publication. For further information on reporting boundaries, methodology and definitions, see the Appendix on pages 62–101.

This report contains climate-related and other forward-looking statements and metrics which are not, and should not be considered to be guarantees, predictions or forecasts of future climate-related outcomes, financial performance or share prices. The statements are subject to known and unknown risks, uncertainties and other factors, many of which are beyond the Group's control. Readers are cautioned not to place undue reliance on such statements in light of the significant uncertainty in climate metrics and modelling that limit the extent to which they are useful for decision-making, and the many underlying risks and assumptions may cause actual outcomes to differ materially. While the Group has prepared the information in this report based on its current knowledge, understanding and in good faith, it reserves the right to change its views in the future.

- **This report makes reference to and representations of the commitments outlined in the *Environmental & Social (E&S) Framework*. Please refer to the *E&S Framework* for detailed information of our commitments. It is available at commbank.com.au/policies.**
- **This important information should be read together with page 74 (Addressing uncertainty in climate modelling); page 75 (Key sources of uncertainty and limitations); and page 97 (Important notices).**
- **Please read the important guidance, limitations and important notices throughout this report to aid your understanding.**

The release of this announcement was authorised by the Board.

Commonwealth Bank of Australia | ACN 123 123 124 | Commonwealth Bank Place South, Level 1, 11 Harbour Street, Sydney NSW 2000 | 9 August 2023 | 112/2023

Last year's Climate Report outlined our *1.5°C temperature ambition* and roadmap for progressively setting sector-level targets on our *financed emissions*. This year's report is focused on reporting our progress against this roadmap. To achieve the nation's and our emissions reduction ambitions, *decarbonising* Australia's electricity grid will play an important role.

Our reporting suite

Our corporate reporting suite brings together key reports outlining our strategic, financial and non-financial performance.

commbank.com.au/investors

Annual Report

An in-depth look at our performance for the 2023 financial year.

commbank.com.au/2023annualreport

Environmental & Social Framework

commbank.com.au/policies

Sustainability Metrics Data Book

commbank.com.au/reporting

UN Principles of Responsible Banking

commbank.com.au/reporting

Corporate Governance Statement

commbank.com.au/corporategovernance

Acknowledgment of Country

We respectfully acknowledge the Traditional Owners of the Lands across Australia and pay our respects to their Elders past and present. Our registered office is located on the Lands of the Gadigal Peoples.

This is an interactive PDF designed to enhance your experience. The best way to view this report is with Adobe Reader. Click on the links on the contents pages or use the home button in the footer to navigate the report.

Message from the Chair and CEO

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.

This past year has been challenging for our customers and communities in Australia and New Zealand impacted by weather-related events. Climate change is impacting the frequency and scale of natural disasters. There is a need to take action to help mitigate the *physical* and *transition* impacts of climate change on our customers, communities, and the nation. We remain committed to playing our part in limiting climate change in line with the goals of the *Paris Agreement* and supporting Australia's transition to net zero emissions by 2050.

Our collective climate-related challenge

Climate change is a collective global challenge requiring coordinated action to limit global warming to 1.5°C. Australia's commitment to transition to net zero emissions by 2050, presents significant opportunities and risks for our country. We believe Australia has the ability to be a renewable energy exporter, as well as a producer of critical minerals such as copper, nickel and lithium. To reduce Australia's emissions and maintain national prosperity, our nation requires significant investment in new technologies, industries and communities.

Globally and domestically, governments are beginning to act. Australia's international peers are accelerating their *decarbonisation* plans which can build resilience against future global energy supply and price shocks. Given global competition for capital investment to fund these national *decarbonisation* plans, we welcome the legislative and policy initiatives the Australian Government has taken over the past 12 months. The legislated 2030 emissions target of a 43% reduction versus 2005 levels, provides industry, banks and investors with clear direction to guide investment and funding decisions. We support the establishment of the $1.9 billion *Powering the Regions Fund* to support existing sectors in reducing their emissions, as well as developing new clean energy industries.

Supportive policy settings can help Australia benefit from its potential as a renewable energy producer, consumer and exporter.

Transitioning Australia's energy sector

Australia's electricity grid remains reliant on coal-fired electricity generation. Rapidly replacing this generation with renewables is one of our nation's greatest medium-term transition challenges and opportunities. Reducing the emissions intensity of the electricity grid is also a key driver to lower emissions in other sectors, including the largest sector in our portfolio – Australian housing. Transitioning Australia's electricity grid is key to achieving the nation's and our emission reduction ambitions.

We acknowledge the continued interest from broader stakeholders and community groups in our exposures to *fossil fuel extraction*. Our current exposures are approximately half of what we reported in our 2019 Energy Value Chain.

As Australia's largest bank, we have an important role in lending to sectors and businesses that will be integral to Australia's energy transition. This year we have reviewed our *Environmental and Social (E&S) Framework*. Following our review, we expanded our commitments in relation to *fossil fuels extraction* and introduced restrictions on project finance for certain infrastructure dedicated to new gas or oil extraction projects. We have clarified our expectations for certain customers to have published Paris-aligned *Transition Plans* by 2025, requiring that the plans include their *Scope 1, 2 and 3 emissions*, and engaged a third party to assess. We remain committed to not providing project finance to new or expanded thermal coal mines. These commitments remain subject to Australia having a secure energy platform.

We also remain committed to reducing our *financed emissions* in thermal coal mining to zero by 2030.

We are mindful that scenario modelling from national agencies such as the Australian Energy Market Operator (*AEMO*) see a role for investment in new *transmission infrastructure* and *firming technology*, including batteries, as critical for Australia's energy transition. *AEMO* also notes an ongoing need for gas-fired electricity generation, to support the security and stability of Australia's electricity grid. In supporting Australia's transition to a net zero economy by 2050, we acknowledge that our lending portfolio will continue to be influenced by the *production* and energy mix of Australia's grid as it changes over time.

Supporting our customers

Noting we have reduced the Bank's exposures to *fossil fuel extraction*, many of our remaining largest emitting customers are operating in *harder-to-abate* sectors including transport, mining and *heavy industry*. As a country, stakeholders, including lenders, need to balance reducing emissions without unintentionally harming industries that play an important role in the economy, and need long-term support to transition. We intend to continue lending to customers in *harder-to-abate* sectors, subject to meeting our credit policies and in line with our *E&S Framework*.

Our portfolio also includes smaller business customers who are important to Australia's economy. A key role of some of these businesses is to transport and produce goods used in the construction of homes, commercial buildings and critical infrastructure. Actions that move *production* offshore or financing to private markets, do not necessarily reduce global emissions, and are unlikely to help Australia's economy transition.

In *harder-to-abate* sectors, our customer engagement is focused on understanding our customers' approach to reaching net zero by 2050, and requesting and considering data on how they can manage their climate-related risks and opportunities. One of our roles is to help ensure we have affordable lending products to support the adoption of new transition technologies.

With the majority of our lending to housing, we seek to provide our retail customers with accessible solutions to help their homes become more energy and resource efficient. We now offer a range of products designed to fund energy efficiency and support emissions reductions. This is not only important for Australia's energy transition but is also intended to ease cost of living pressures.

Recognising that not all of our customers are in a position to pay for solar panels, batteries, efficient appliances or double glazing, we welcome additional government funding targeted at energy efficiency, and see a continued role for targeted government incentives.

Calling for an inclusive transition

We welcome the announcement of a national *Net Zero Authority*. This is a positive step to support workers, communities and regions impacted by Australia's transition to net zero emissions by 2050.

As Australia works towards the national reduction targets, the country simultaneously needs to seek community perspectives on social transition costs and risks. It is important that stakeholders identify policy amendments or gaps that need to be considered to support a purposeful and coordinated transition.

Remember you can click on *italicised words* or *phrases* to view the definition.

Our progress meeting our commitments

Last year, we released our inaugural Climate Report reaffirming our support for Australia's transition to net zero emissions by 2050. We also outlined our transition roadmap for progressively setting targets on our *financed emissions* in line with our Net-Zero Banking Alliance (*NZBA*) commitments.

This year, we've made progress against our E&S and *NZBA* commitments. Some of the key achievements over the past 12 months include:

- Setting five new sector-level targets for Australian housing and *heavy industry* (steel, alumina, aluminium and cement) using scenarios, which are aligned to limiting global warming to 1.5°C.
- Expanding the coverage of our *financed emissions* disclosures and data we use in our calculations.
- Developing sector-level strategies to help meet our emission reduction targets in the power generation, upstream gas and oil extraction and thermal coal mining sectors.
- Building our internal capabilities for measuring and reporting on *natural capital*.
- Reviewing our *E&S Framework*.
- Continuing to build our understanding of the potential social impacts of climate change for our customers and communities.

The Board, together with management, continues to make progress on our strategy, including our strategic pillar of supporting Australia's transition to a digital, resilient and sustainable economy. We remain committed to managing the risks and opportunities of climate change and playing our part to support an inclusive transition.

Paul O'Malley
Chair

Matt Comyn
Chief Executive Officer

Our transition roadmap

Our net zero by 2050 ambition is to transition our *operational* and *financed emissions* to align with pathways to net zero by 2050. We are progressively setting *operational* and sector-level *financed emissions* targets in line with pathways that aim to limit global warming to 1.5°C. By 2025, we aim to have targets on sectors that account for more than 75% of our *2020 financed emissions*. Our roadmap outlines the steps we intend to take to meet these commitments.

	2021	2022	2023	2024	2025 and beyond
Setting targets to achieve our goals For more information see pages 12–27 and 53–61.	• Set Sustainability Funding Target. • Set reduction targets for *Scope 1 and 2,* and *Scope 3 operational emissions.* • Maintained external carbon neutral certifications for our Group-wide operations.	• Set *financed emissions* targets for power generation, upstream gas extraction, upstream oil extraction and thermal coal mining. • Maintained external carbon neutral certifications for our Group-wide operations. • Achieved the equivalent of using 100% renewable electricity in our global operations through the purchase of *RECs* (in arrears and ongoing).	• Set *financed emissions* targets for Australian housing and *heavy industry* (steel, alumina, aluminium and cement). • Continue to seek external carbon neutral certifications for our Group-wide operations.	• Set *financed emissions* targets for Australian agriculture, Australian commercial property and transport. • Report on revised *Scope 3 operational emissions target.* • Continue to seek external carbon neutral certifications for our Group-wide operations.	**By 2025:** • Set sector-level targets on sectors that account for more than 75% of our *2020 financed emissions.* • Have sector-level strategies in place to support the achievement of targets. • Reduce emissions in line with *Scope 1 and 2 operational emissions target.* • Reduce emissions in line with revised *Scope 3 operational emissions target.* **From 2027 onwards:** • Aim to commence setting sector-level targets beyond 2030. **By 2030:** • Seek to reduce *financed emissions* in line with our sector-level targets.[5] • Aim to have achieved our Sustainability Funding Target of $70 billion in cumulative funding. • Continue to source the equivalent of 100% of our global electricity demand from renewable sources. • Continue to seek external carbon neutral certifications for our Group-wide operations.
2020 drawn lending exposure coverage[1, 2]	N/A	1%	67%	77%	
2020 financed emissions coverage[1, 3]	N/A	27%	44%	88%	
Supporting our customers with products, services and engagement For more information see pages 12–29.	• Green Loan • *Sustainability-Linked Loans* • Amber Electric • Carbon Insights	• Green Home Offer • Property Sustainability Upgrade Loan • Customer engagement with 100 of CBA's most carbon intensive Institutional Banking customers (ongoing) • Carbon Markets	• Agri Green Loan • Green Vehicle and Equipment Finance • Structured Asset Finance • Sustainability Action Tool • Personal Loan Green Offers • Customer engagement with 100 of CBA's most carbon intensive Institutional Banking customers (ongoing)	• Green Buildings Tool • Strategic investment in Wollemi Capital • Customer engagement with 100 of CBA's most carbon intensive Institutional Banking customers (ongoing)	
Transparently reporting our progress	2021 *E&S Framework* 2021 Annual Report: TCFD-aligned chapter	*NZBA* commitment signed *1.5°C temperature ambition* adopted Preliminary climate scenario analysis on 74% of exposures 80% of CBA's *financed emissions* reporting, *PCAF* aligned 2022 Climate Report	Preliminary climate scenario analysis on 89% of exposures[4] 2023 E&S Framework 2023 Climate Report	2024 Climate Report	

Net zero ambition 2050

1 Timing of targets and estimated coverage of 2020 drawn lending exposure and *2020 financed emissions* is indicative and subject to change; for example due to changes in business structure, availability of relevant data, methodological developments, global and local emissions trajectories, and scientific literature. Estimates have not been updated compared to the 2022 Climate Report.

2 Drawn lending exposure of sector-level *financed emissions* targets as a percentage of the Group's 30 June 2020 drawn lending exposure, excluding finance and insurance, and government administration and defence.

3 In line with the *PCAF* Standard, our *2020 financed emissions* calculations consider our customers' Scope 3 emissions in upstream oil extraction, upstream gas extraction and thermal coal mining. In 2020, we did not consider customers' Scope 3 emissions in other sectors. For more information on our *financed emissions* methodology see pages 64–73.

4 Scenario analysis methodologies vary by portfolio, please see pages 44–47 for further information.

5 There are a number of dependencies in achieving these targets. If the outcomes described in the scenarios we use – such as rapid *decarbonisation* of Australia's electricity grid – do not eventuate, we may not achieve our *financed emissions* targets. See pages 69–71 for further information.

Supporting Australia's energy transition

A critical step to achieving net zero by 2050 for Australia, is a net zero electricity grid.

Working together to achieve net zero by 2050

Addressing climate change requires a collaborative approach between government, business and the community. We welcome Australia's emissions reduction plan to reduce emissions by 43% by 2030, and achieve net zero emissions by 2050. The Australian Government's 2022 Climate Change Statement and *AEMO*'s 2022 Integrated System Plan (ISP) suggest this target is achievable. These reports highlight how the largest near-term reductions in Australia's emissions come from the *decarbonisation* of Australia's electricity grid – reliant on the Australian Government's target of 82% renewables generation by 2030.

A purposeful and coordinated approach is required across all sectors of the Australian economy to meet near-term *decarbonisation* goals. Aligned to our purpose and strategy, CBA remains committed to playing our part and supporting Australia's transition to a net zero economy by 2050. Our new sector-level *financed emissions* targets for Australian housing and *heavy industry* use credible, 1.5°C aligned *decarbonisation* pathways published by the Science Based Targets initiative (*SBTi*) and Mission Possible Partnership (*MPP*).

We acknowledge there are varying perspectives on the emissions reductions required for Australia to meet the goals of the *Paris Agreement*. We believe credible, 1.5°C aligned transition scenarios, tailored for Australia's unique energy mix and circumstances can support businesses to set targets. We welcome and support future work led by the Australian Government to develop sectoral *decarbonisation* pathways for electricity and energy, industry, the built environment, agriculture and land, transport and resources. We will continue to monitor for Australia-specific pathways, and will review those that are developed by the Australian Government[1].

Reducing emissions in key sectors by 2030

AEMO's ISP provides grid *decarbonisation* milestones across different timeframes out to 2050. Recent modelling funded by *AEMO* explores implications for other sectors of the economy. These two reports[2] outline a number of 2030 milestones for Australia on potential pathways towards the goals of the *Paris Agreement*, including:

Electricity

By 2030

- Electricity emissions intensity significantly lower
- *Distributed solar* generation more than triples
- Wind and solar generation more than 67%
- Fossil fuel generation less than 21%

Buildings & houses

By 2030

- Energy efficiency measures
- Reduced reliance on natural gas
- Increased electrification of homes
- More than 12% of household daily electricity consumption potential stored in batteries

Transport

By 2030

- Electric vehicles (*EVs*) make up at least 12% of road transport
- *EVs* reach cost parity
- *EVs* 50% of new car sales

Heavy industry

By 2030

- New technologies and *carbon capture*
- Increased electrification
- Fuel switching

1 In 2021 we engaged Commonwealth Scientific and Industrial Research Organisation (*CSIRO*) to develop Australia-specific pathways consistent with limiting global warming to 1.5°C.
2 Refer to page 96 for sources.

Prioritising Australia's electricity grid transition

Decarbonising Australia's electricity supply is key to achieving Australia's targets and CBA's sector-level 2030 *financed emissions* targets. Generation from renewable sources is increasing in Australia as coal-fired power plants retire. Australian homes and businesses should have access to clean, reliable and affordable energy. *AEMO's ISP* provides detailed modelling for the transition of Australia's electricity grid.

Australia has an opportunity to *decarbonise* our electricity grid through increased investment in solar, wind, hydro, storage and *transmission assets*. Not only is this important for reducing Australia's emissions, research shows that renewables can deliver lower cost energy compared to other sources. *AEMO*'s analysis indicates *firming capacity* through batteries and increased gas-fired electricity generation will be necessary to support reliable electricity. Australia also needs further investment and support from Government for new *transmission assets*. Getting renewable energy from where it is made, to where it is consumed, is critical for the electricity grid's ability to use renewables and *decarbonise*.

Financing a secure, affordable energy transition

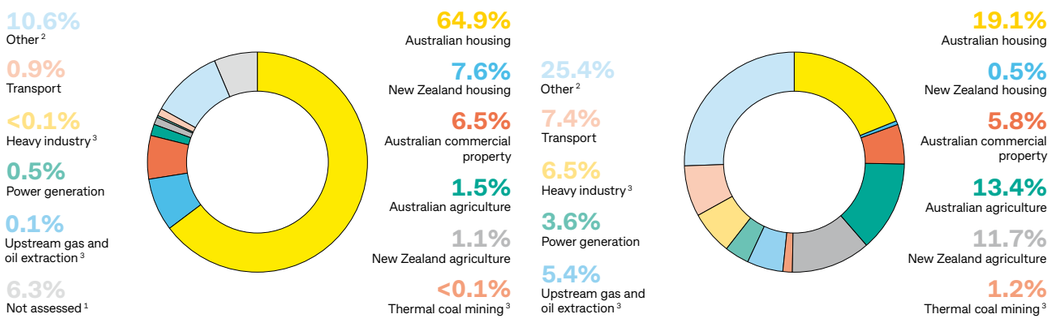
Australia's economy is carbon intensive due to Australia's energy supply. We can support the transition by providing lending to our customers. We aim to support Australia's *decarbonisation* goals, while also acknowledging the importance of preserving national prosperity and affordability of goods and services. To measure and track the alignment of our portfolio to the *Paris Agreement*, we use sector-level *financed emissions* targets aligned to scenarios consistent with limiting global warming to 1.5°C. These targets help us shape our portfolio over time.

Lending to the power generation sector represents 0.5% of our in-scope portfolio [1] but remains 3.6% of our *financed emissions*. By continuing to finance renewable electricity generation, and supporting some *gentailers* to develop new renewables and *firming capacity,* we are taking actions to help us meet our 2030 sector-level target for the power generation sector. *Scope 2 emissions* from electricity consumption account for the majority of emissions associated with buildings and homes. Lending that reduces power generation emissions also helps to reduce household emissions.

Our customers by number are largely Australian households and small businesses. This year we have expanded our range of lending products to incentivise retail and business customers to reduce their emissions. We aim to help our customers learn about new emissions reduction technologies or practices. We seek to work with governments to identify opportunities to support our customers and communities during the transition.

Financed emissions by sector as at 30 June 2022

In-scope drawn lending exposure by sector



Financed emissions by sector

1 In-scope portfolio excludes exposures in the finance and insurance, and government administration and defence *ANZSIC*s. Portfolios not assessed include consumer finance and offshore commercial property (FY22: $52.1 billion).

2 Other includes the following *financed emissions* categories: other agriculture, forestry and services, other mining oil and gas, other utilities and services, other manufacturing, other transport and storage and other business lending. Refer to the *financed emissions* table on pages 54–55 for more information.

3 In line with the *PCAF* Standard, our *financed emissions* calculations consider our customers' *Scope 3 emissions* in these sectors. We do not currently consider customers' *Scope 3 emissions* in other sectors. Future reporting of our *financed emissions* may include Scope 3 in additional sectors, see pages 64–73 for more information on our methodology.

Building resilience and supporting an inclusive transition

We acknowledge the Bank has a role to play in supporting our customers, communities and stakeholders to limit the impacts of climate change and support an inclusive transition.

Supporting recovery after natural disasters

Physical climate events, such as the increasing frequency and severity of flood and bushfire events, have negatively affected our customers. This year, our financial hardship teams continued to support our customers through these natural disasters. We have dedicated support for these customers, connecting them to Natural Disasters Grant Payments, waiving fees and charges, and automatically deferring payments. We are continuing to build our understanding of the potential social impacts of climate change for our customers and communities.

Supporting customers through increased cost of living

Our customers, communities and stakeholders could be affected by the transition to net zero by 2050 through rising costs of energy and essential goods and services. To assist our customers' transition, we have expanded our range of green financing to support our customers in reducing their home energy bills through rooftop solar, batteries, electrification and energy efficiency, or to reduce their fuel spend through purchasing electric or hybrid vehicles. This aims to make products like these more affordable to Australians and can reduce their exposure to rising energy costs by improving the energy efficiency of their homes, while providing access to affordable renewable electricity.

Understanding the regional impacts of the transition

Certain regions of Australia are economically dependent on fossil fuel-related industries, such as coal mining. We believe a coordinated community-led response with government support can help these regions transition. The announcement of a national *Net Zero Authority* is a positive step to support employment, communities and regions impacted by the net zero by 2050 transition. Many of the regions we have identified as economically dependent on fossil-fuel related industries, have also been identified for the development of *Renewable Energy Zones*. We support *Renewable Energy Zones* located near these regions, as a source of future economic opportunity.

Physical and transition risks

Physical risks **arise from damages or reduced asset values caused by extreme weather events such as floods, bushfires, storms and cyclones (acute risk), and longer-term shifts in climate patterns (chronic risk).**

Transition risks **arise from transitioning to a net zero emissions economy due to changes in domestic and international policy and regulation, technological innovation, social adaptation and market changes.**

Listening to First Nations people

We recognise the transition to a net zero economy by 2050 must be inclusive and informed by the voices of the communities it affects. Our *Environmental, Social and Governance (ESG) risk assessment tool* plays an important role in our corporate lending processes. In October 2022, for Institutional Bank customers, we uplifted and introduced specific questions in the *ESG risk assessment tool* on Indigenous rights, rather than those considerations being part of the human rights focus area. As part of our Reconciliation Action Plan commitments, we also identified a need for an additional avenue for First Nations stakeholders to raise particular types of concerns with us and we have implemented a new Human Rights of First Nations Stakeholder Grievance Process in response.

For more detailed information on our grievance process see page 51.

Strategy

As Australia's largest bank, we recognise the role we can play in supporting Australia's transition to a net zero economy by 2050.

Our climate strategy

We aim to support Australia's climate change goals and help finance a secure, affordable energy transition. We have committed to transitioning our *operational* and *financed emissions* in line with pathways that aim to limit global warming to 1.5°C. Our climate strategy aligns to our purpose and the pillars of our Group strategy.

Leadership in Australia's transition

Lending to support the transition

We can help accelerate Australia's transition. To help direct our lending and financing activities, we apply our *E&S Framework*, set sector-level *financed emissions* targets and strategies aligned to 1.5°C scenarios, and have a Sustainability Funding Target.

Refer to pages 12–27.

Bringing stakeholders together

A collaborative public debate at the national level can support a purposeful and coordinated transition. We contribute by bringing stakeholders together, forming partnerships and sharing insights based on our data and understanding of the Australian economy.

Refer to page 28.

Reimagining banking

Helping our customers transition and build resilience

We want to help our customers participate in, and navigate, a net zero by 2050 future and to build resilience. We aim to do this by developing new products and services, and partnering with others.

Refer to pages 14–27.

Simpler, better foundations

Building our environmental foundations

We aim to reduce our *operational emissions* and develop our environmental risk management framework in line with maturing industry practices, and provide effective governance and transparent disclosures over our environmental progress.

Refer to pages 36–51 and pages 52–61.

Lending to support the transition

The Bank has risk management and governance mechanisms in place to oversee our E&S commitments[1]. These include policies, governance committees, sector-level *financed emissions* targets, reporting, and our performance and remuneration frameworks. We are progressively setting interim 2030 sector-level *financed emissions* targets for our lending portfolio in 12 sectors that represent more than 75% of our *2020 financed emissions*. We expect this will help us direct our lending activities and support Australia's energy transition. The 2030 targets we are working towards are at the sector-level. However, we do not expect individual customers to follow the specific pathways we are working towards at the sector-level.

There are three ways we can work towards our sector-level *financed emissions* targets:

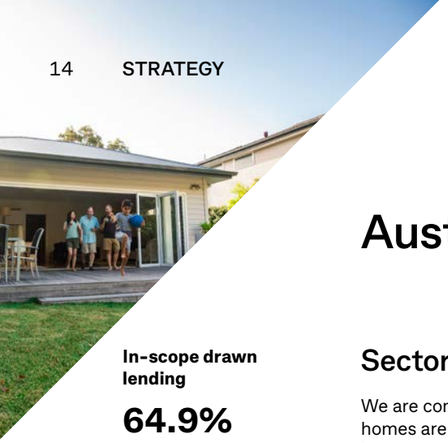
- **Taking steps that can help our customers reduce their emissions.** Our approach varies by sector but can include engaging with them, providing insights, data and dedicated products and services and advocating for government policies that can help them reduce their environmental impact.
- **Re-balancing our portfolio towards less emissions-intensive customers.** Once targets have been set, through risk appetite, and in some instances, pricing incentives, we can actively steer our exposures within a sector towards less emissions-intensive customers.
- **Reducing our exposures to the sector.** In some sectors, we may choose to reduce our overall exposures.

Summary of key activities to steer our portfolio

		Financed emissions targets	In-scope drawn lending As at 30 June 2022	Financed emissions As at 30 June 2022[2]	Taking steps that can help our customers reduce their emissions: Products and services	Taking steps that can help our customers reduce their emissions: Engagement	Taking steps that can help our customers reduce their emissions: Advocacy	Re-balancing our exposures	Reducing our exposures	Methodology
Australian housing		**15.7** $kgCO_2$-e/m^2 by 2030	64.9%	19.1%	✓	→	✓			+ See pages 64–73
Power generation		**105** $kgCO_2$/MWh by 2030	0.5%	3.6%	✓	✓	✓	✓		+ See pages 64–73
Heavy industry		**Steel: 1.35** tCO_2-e/t-steel by 2030 **Alumina: 0.63** tCO_2-e/t-aluminium by 2030 **Aluminium: 5.26** tCO_2-e/t-aluminium by 2030 **Cement: 0.55** tCO_2-e/t-cement by 2030	<0.1%	6.5%	→	✓				+ See pages 64–73
Upstream oil extraction		**1.9** $MtCO_2$ by 2030 **27%** reduction vs 2020 baseline	0.1%	5.4%		✓		✓	✓	+ See pages 64–73
Upstream gas extraction		**2.8** $MtCO_2$ by 2030 **17%** reduction vs 2020 baseline								+ See pages 64–73
Thermal coal mining		**0** $MtCO_2$ by 2030 **100%** reduction vs 2020 baseline	<0.1%	1.2%		✓			✓	+ See pages 64–73
Australian agriculture		Target to be set in 2024	1.5%	13.4%	✓	✓	→	Activities to be considered once we have set our targets		+ See pages 64–73
Australian commercial property		Target to be set in 2024	6.5%	5.8%	✓	✓	→			+ See pages 64–73
Transport		Target to be set in 2024	0.9%	7.4%	✓	✓	→			+ See pages 64–73

1 Our commitments are outlined in our *E&S Framework*. The *E&S Framework* is available at commbank.com.au/policies.
2 We rely on customer reported emissions data to calculate our *financed emissions*. Due to lags in customer reported data, our progress is as at 30 June 2022.

KEY: ■ Certain customers within this sector expected to publish a *Transition Plan* by 2025 ✓ Strong focus → Emerging focus



Australian housing

In-scope drawn lending

64.9%

As at 30 June 2022

Financed emissions

19.1%

As at 30 June 2022

Scope 1 2 Emissions

2030 target

15.7

$kgCO_2$-e/m^2

60%

reduction of 2021 baseline

2021 baseline

38.8

$kgCO_2$-e/m^2

Scenario

SBTi

For methodology refer to pages 64–73.

Sector overview and outlook

We are committed to helping our customers buy their own homes. Emissions associated with homes are largely from electricity consumption along with gas used for heating, cooking and hot water. *Decarbonising* Australia's electricity grid is the most important factor to lowering household emissions, supported by home owners installing rooftop solar systems, batteries and replacing energy inefficient products. Electrification of gas appliances, improving *thermal efficiency* and more efficient electrical devices can also reduce the carbon footprint of housing. Australia's housing sector accounts for more than 10% of Australia's total emissions[1]. Supporting Australian households to use renewables and become energy efficient, can not only contribute to Australia's energy transition but is intended to ease cost of living pressures.

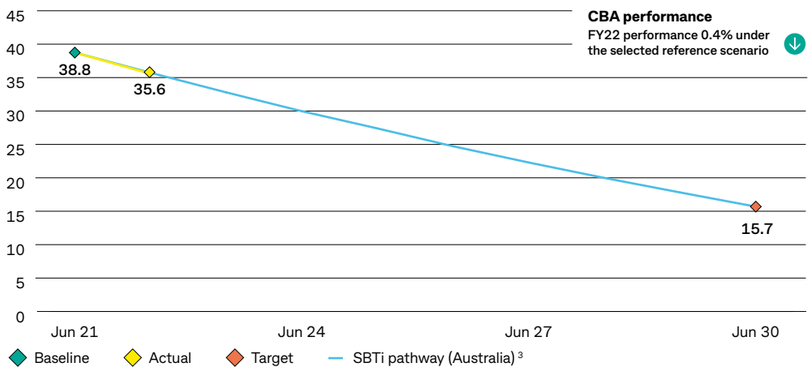
Our sector target and portfolio

This year, we set an interim 2030 target of 15.7 $kgCO_2$-e/m^2, a reduction of 60% compared to our 2021 baseline. As at 30 June 2022, Australian housing accounted for 64.9% of our *in-scope drawn lending* and 19.1% of our *financed emissions*.

Our 2030 target uses the draft *SBTi* Buildings tool, which uses a downscaled model of the *IEA*'s global *NZE* scenario developed by the Carbon Risk Real Estate Monitor (*CRREM*) initiative to produce an Australia-specific 1.5°C aligned pathway for housing. Other approaches may arrive at different pathways. For example, internal scenario analysis of an Australia-specific 1.5°C aligned pathway for housing using *IEA* and *AEMO* electricity grid *decarbonisation* scenarios sees even greater 2030 reductions than *CRREM*'s modelling.

Achieving our target is heavily reliant on *decarbonisation* of the electricity grid. Our target assumes increased energy efficiency and electrification from grid *decarbonisation*, supported by rooftop solar and batteries. It also assumes a transformation of existing homes using technologies already available in market, such as heat pumps, and energy-efficient appliances and building designs. The Bank has no intention of reducing our lending to customers in order to achieve this target. However, we will continue to offer products to support customers reducing their emissions.

Australian housing emissions intensity[2] $kgCO_2$-e/m^2



To learn how to read this chart, see page 69.

1 Refer to page 96 for sources.

2 Baseline June 2021, and June 2022 Australian housing emissions intensity have been included in the scope of PwC's limited assurance engagement. Annual attributed emissions divided by attributed living area.

3 Refer to page 96 for sources.

Sector dependencies to achieve our target

Many of the opportunities to reduce emissions, such as solar, batteries and heat pumps, can impose significant upfront costs to our customers. Continued support from government and industry is required to increase incentives for home energy upgrades. Improving technology, smart meters and enhancing home *thermal efficiency* ratings, would also support the housing sector's energy transition. We welcome the Federal Government's 2023 announcements of targeted support to households in making their homes more energy efficient and affordable to run. This includes $1.3 billion of targeted government funding to support household energy savings and upgrades, and an expansion of energy rating schemes for homes and household appliances. Should the electricity grid not *decarbonise* quickly enough, or if State or Federal Government policy settings are not supportive, then achieving our target will be unlikely.

Helping our customers take action

As a trusted financial partner in the lives of many people, we are well positioned to support, educate and incentivise our customers to purchase products designed to improve climate outcomes. We offer our customers a number of products, including our Green Home Offer, Green Loan and Personal Loan Green Offer, to support them in building or renovating their homes to a more energy efficient standard, or with the purchase of solar panels, batteries and solar or heat pump water systems.

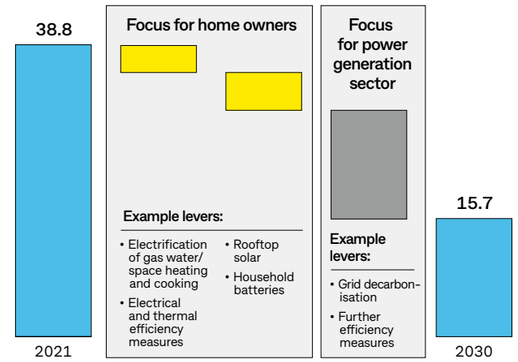
Our referral relationship with Amber Electric helps us connect our customers with access to wholesale energy prices, and the ability to shift their energy usage to times of the day when it is cheaper to use more renewable energy.

We also recognise the important role we can play in bringing stakeholders together and advocating at a national level on behalf of the Australian household. Encouraging effective government action and change that supports homeowners with simpler and more accessible sustainable options is important if Australia is to succeed in meeting its climate goals.

Indicative pathway to achieving 2030 target

We have used scenario modelling to explore a pathway to achieving our 2030 target. We have drawn on insights from *AEMO* and the *IEA* to chart an indicative scenario, highlighting dependency on grid *decarbonisation*, along with actions homeowners can take to reduce emissions.[1]

Emissions intensity $kgCO_2$-e/m^2



Making homes more energy efficient

Our Green Home Offer incentivises our customers to make their homes more energy efficient to a Nationwide House Energy Rating Scheme (*NatHERS*) 7-star rating or higher, and encourages them to take tangible steps to reduce their carbon footprint. When customers build, buy or renovate their homes in this way, they become eligible for a lower standard variable rate.

1 While *SBTi* and *CRREM* do not provide an analytical breakdown of drivers in changes in emissions intensity between 2021 and 2030, we have modelled an indicative pathway exploring:
– *Direct, or Scope 1 emissions*. We modelled a potential reduction through reduced demand for natural gas, LPG and wood based on *AEMO* and *IEA* projections.
– *Indirect, or Scope 2 emissions*. We modelled the relative impact of rooftop solar, batteries and behind the meter activities; and *decarbonisation* of the electricity grid, and other factors. This split was estimated based on data from *AEMO* and Australian Energy Market Commission.

Power generation

In-scope drawn lending

0.5%

As at 30 June 2022

Financed emissions

3.6%

As at 30 June 2022

Scope 1 Emissions

2030 target

105

$kgCO_2/MWh$

53%

reduction of 2020 baseline

2020 baseline

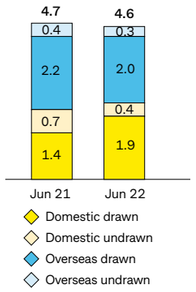
222

$kgCO_2/MWh$

Scenario

Global IEA NZE (2021)

Drawn and undrawn lending exposure $bn



For methodology refer to pages 64–73.

Sector overview and outlook

Retiring coal-fired power stations and shifting to renewable sources of energy is critical to reducing the emissions intensity of Australia's electricity grid. Renewable electricity can provide a cost-effective way of reducing emissions and is not only essential for the nation to meet its *decarbonisation* ambitions, but also to support Australian households and other sectors in reducing their environmental impact. *AEMO*'s *ISP* indicates electricity grid *firming capacity*, through batteries and some gas-fired electricity generation, will be necessary to support grid reliability.

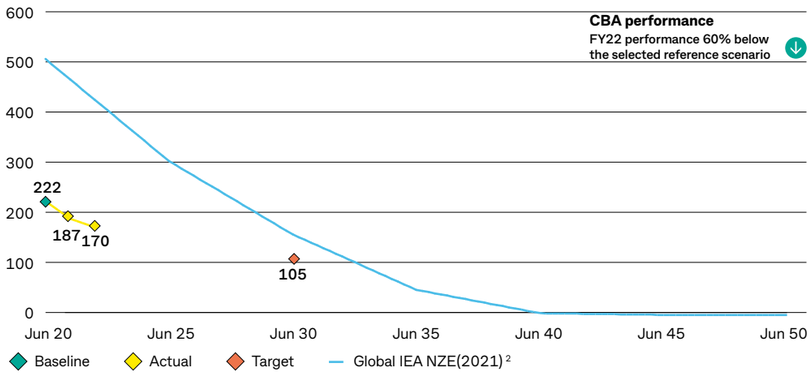
Our sector target and portfolio

We monitor the emissions intensity of our power generation portfolio as we seek to support the *decarbonisation* of Australia's electricity grid. Our power generation portfolio is also diversified by technology and geography with 85% of our lending exposures to renewables and 50% outside Australia. Of our offshore portfolio, 84% is weighted to the renewables sector, along with some fossil fuel reliant generators.

As at 30 June 2022, the emissions intensity of our portfolio was 170 $kgCO_2/MWh$, a reduction of 52 $kgCO_2/MWh$ compared to our 2020 baseline and a reduction of 17 $kgCO_2/MWh$ compared to 30 June 2021. Our performance was 60% below the selected *reference scenario*. The reduction in our portfolio's emissions intensity was driven by increased drawn lending to the renewables sector and decreased drawn lending to emissions-intensive customers, partly offset by changes in the enterprise value of our customers in the portfolio.

While the emissions intensity of our power generation portfolio decreased between 2021 and 2022, we expect it to fluctuate in future years. For example, in order to support our customer's transition and the *decarbonisation* of Australia and New Zealand's electricity grids, we may choose to increase our lending to an emissions-intensive customer if it is consistent with the commitments in our *E&S Framework*. This could then increase the emissions intensity of our portfolio at points in time. Drawdowns of unused lending limits could also change our share of emissions and generation.

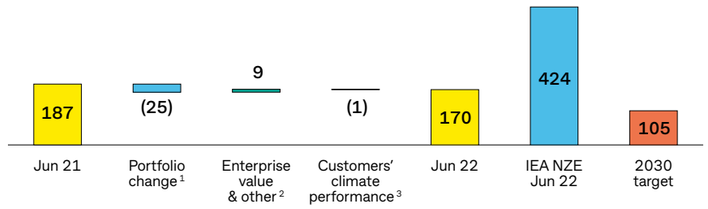
Power generation emissions intensity [1] $kgCO_2/MWh$



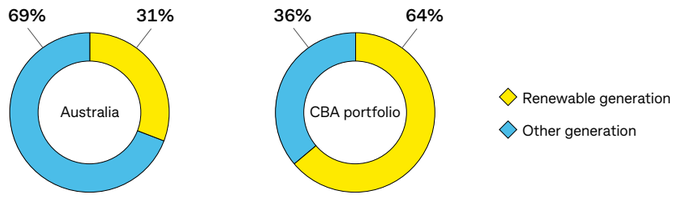
To learn how to read this chart, see page 69.

1 June 2022 power generation emissions intensity of 170 $kgCO_2/MWh$ has been included in the scope of PwC's limited assurance engagement. Annual attributed emissions divided by annual attributed generation.
2 Refer to page 96 for source.

Power generation emissions intensity portfolio movements
$kgCO_2/MWh$



Electricity generation (MWh) by type (%) [4]



Sector dependencies to achieve our target

The *reference scenario* that informs our sector target makes a number of key assumptions to reduce the emissions intensity of the sector including: a significant increase in renewable power generation from *solar PV*, followed by wind; and a significant decrease in unabated fossil fuel generation by 2030.

While significant investment is underway to create a grid that is fit for distributed renewable electricity generation, there are concerns that Australia may not achieve its 82% national renewable electricity target by 2030. For example, a lack of investment in *transmission infrastructure* may slow investment in renewable energy projects.

To maintain grid security and reduce the sector's emissions, investment in firming in the forms of batteries, pumped hydro and some gas-fired electricity generation is crucial.

There is a role for government policy and public funding to de-risk renewable energy and transmission projects. Recent Federal Government policies have focused on these key areas, including a $20 billion investment in *Rewiring the Nation*, and the Capacity Investment Scheme, a revenue underwriting mechanism which is targeted to release $10 billion of investment in on-demand power to fill reliability gaps.

Growing our lending to renewables

This year, we financed the Golden Plains Wind Farm in Rokewood, Victoria – the largest approved windfarm in the state. The construction of the windfarm accelerates Australia's energy transition, and brings economic benefits to the local community.

We have also supported the financing of three other key Australian portfolio platforms: Atmos Renewables, Intera Renewables and Squadron Energy. These platforms have a combined generation capacity of over 2.6 gigawatts, powering approximately 1.7 million homes.

Actions to help meet our target

Our power generation portfolio includes customers from low emissions renewable energy generators through to more emissions-intensive customers, such as electricity *gentailers*. In Australia and New Zealand, we are supporting our gentailer customers as they transition their businesses to lower emissions technologies. Our *E&S Framework*, *glidepath* and 2030 sector-level target inform our lending decisions. To understand the emission impacts, we individually assess the effect of new lending in this sector on the portfolio's emissions intensity. Since March, all lending decisions for Institutional Banking and Markets (IB&M) customers included in our power generation *glidepath* (excluding renewables) are subject to an escalation pathway which involves review by senior stakeholders within IB&M and our climate strategy team. This helps us to shape the portfolio mix over time, in line with our targets and commitments.

As outlined in our *E&S Framework*, from 2025, we expect certain coal-fired electricity generation customers to publish a *Transition Plan*. We will continue to focus on growing our renewable energy lending.

1 Movements in drawn lending exposure can affect the factor used to attribute a proportion of the customers' emissions and generation to CBA.
2 Impact of FX movements and changes in customers' enterprise value.
3 Includes the attribution of changes in individual company's emissions and generation to CBA.
4 Refer to page 96 for source. CBA pie chart calculated as CBA's attributed generation from renewable customers as a percentage of total CBA attributed generation.

Heavy industry

In-scope drawn lending

<0.1%

As at 30 June 2022

Financed emissions

6.5%

As at 30 June 2022[1]

Scope 1 2 emissions[1]

2030 targets

Steel: 1.35
tCO_2-e/t-steel
Alumina: 0.63
tCO_2-e/t-aluminium
Aluminium: 5.26
tCO_2-e/t-aluminium
Cement: 0.55
tCO_2-e/t-cement

2022 traffic light status

Steel: n/a
Alumina: ↓
Aluminium: ↑
Cement: ↓

Scenarios

SBTi & MPP

+ For methodology refer to pages 64–73.

↑ More than 10% above the reference scenario.

– Between 0 and 10% above the reference scenario.

↓ Below the reference scenario.

Sector overview and outlook

We define the *heavy industry* sector as the *production* of steel, alumina, aluminium and cement. These industries are generally *harder-to-abate* due to the limited availability of viable low-emissions technologies at commercial scale. Steel is an essential input into many other sectors such as construction and machinery. The steel industry is expected to continue to play an important role in Australia's energy transition, for example in the construction of wind turbines and solar farms. Cement is required for use in the construction of housing, commercial buildings, and infrastructure. Alumina is an intermediate product in the *production* of aluminium, which is used in a number of technologies that are also critical to helping Australia reduce its emissions.

Companies operating within the *heavy industry* sector are reliant on grid *decarbonisation*, process efficiencies and technologies that in many instances, are not yet commercially viable at scale in Australia.

Our sector targets and portfolio

This year, we set four separate interim 2030 targets for steel, alumina, aluminium and cement *production*:

Target and reduction assumptions	
Steel **1.35** tCO_2-e/t-steel ↓ **30%**[2]	The target assumes increased material and energy efficiency measures, an increase in scrap-based *production*, and adoption of new technologies from the mid-2020s. As at 30 June 2022, there were no customers with drawn lending in this sector.
Alumina **0.63** tCO_2-e/t-aluminium ↓ **62%**[3]	The target assumes refiners switch to using renewable electricity and the adoption of new technologies, such as electric boilers. We have set a separate target for alumina to recognise the different *decarbonisation* pathways for alumina refining and aluminium smelting, as well as the importance of alumina as a key export industry for Australia. As at 30 June 2022, our *financed emissions* intensity was below the selected *reference scenario*.
Aluminium **5.26** tCO_2-e/t-aluminium ↓ **46%**[3]	The target assumes that by 2030, smelters will switch to using renewable electricity for most of their energy needs. This switch is highly dependent on the availability of reliable electricity from renewable sources or large scale *carbon capture*. Given aluminium is used in a number of technologies that are critical to helping Australia reduce its emissions, this is a sector we intend to continue to support and monitor closely. As at 30 June 2022, our *financed emissions* intensity was more than 10% above the selected *reference scenario*. It may remain at this level for a number of years, due to higher electricity-related emissions than those modelled in *MPP's* scenario.
Cement **0.55** tCO_2-e/t-cement ↓ **23%**[4]	The target assumes increased clinker substitution and efficiency measures, in addition to kilns adopting bio-energy or hydrogen, and *carbon capture*. As at 30 June 2022, our *financed emissions* intensity was below the selected *reference scenario*.

1 In line with the *PCAF* Standard, we have included *Scope 3 emissions* for customers in this portfolio in our *financed emissions* calculations. We do not include *Scope 3 emissions* in our sector-level *financed emissions* target for this portfolio.
2 Compared to 2021 global average emissions intensity published by the World Steel Association.
3 Compared to *MPP*'s modelled 2020 emissions intensity.
4 Compared to the Department of Climate Change, Energy, the Environment and Water (DCCEEW) Safeguard Mechanism 2021 default emissions intensity for cement produced from clinker facility.

Heavy industry represents less than 0.1% of CBA's *in-scope drawn lending* portfolio, and is concentrated to a small number of large Australian companies. To protect our customers' confidentiality, we have adopted a 'traffic light' disclosure of our performance against targets. Green indicates actual performance is lower than the *reference scenario*. Amber indicates actual performance is between 0 and 10% above the *reference scenario*. Red indicates actual performance is greater than 10% above the *reference scenario*. This is to support cases, where, for example, only one customer has drawn lending in the reporting period.

For our steel and cement sector targets, we have used the target setting tools developed by the *SBTi*. These tools are based on the *IEA's* NZE 2050 scenario, which informed the sector-level targets we announced in 2022. For the aluminium and alumina sector, we have leveraged the *MPP* aluminium transition strategy, which provides regionally-specific 1.5°C aligned *decarbonisation* pathways for both commodities.

Sector dependencies to achieve our targets

Carbon emissions from *heavy industry production* occur from the heat and chemical reactions required in manufacturing processes. The *decarbonisation* of the *heavy industry* sector is reliant on: Australia's grid *decarbonising*; availability of inputs, such as scrap metal for secondary steel making or *supplementary cementitious materials* for cement manufacturing; and the development and distribution of new technologies. The Australian Government's Safeguard Mechanism should assist in accelerating *decarbonisation* solutions for the *heavy industry* sector, and funding from the Safeguard Transformation Stream is intended to help our customers invest in new technologies. It is also important for imported products to be subject to a similar emissions reduction pathway as Australian manufactured products to ensure Australia's *decarbonisation* efforts are not offset by imported emissions.

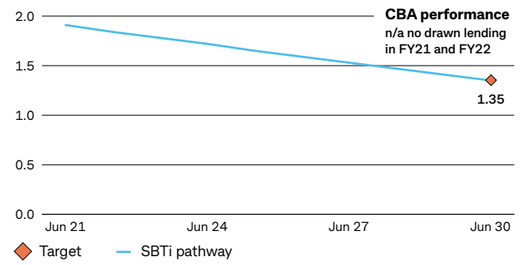
Should the electricity grid not *decarbonise* quickly enough, or if State and Federal Government policy settings are not supportive, then achieving our targets will be unlikely.

Actions to help meet our targets

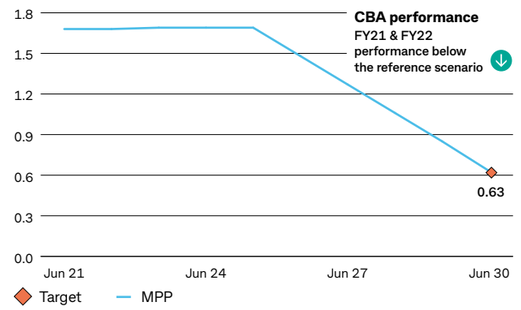
We provide lending that can help our customers reduce their *Scope 1 and 2 emissions*. We also provide trading support of Australian Carbon Credit Units (*ACCUs*) through our carbon markets business for those companies who are unable to abate their emissions. In *harder-to-abate* sectors, our engagement with our customers is focused on understanding their financing needs and approach to achieving their climate strategies and *decarbonisation* goals. We can play a role in building awareness of available solutions and government supported pilots that lower emissions from steel and cement *production*, such as *hydrogen electrolysers*, *supplementary cementitious materials*, renewable energy sourcing and *carbon capture and storage* projects. Our financing products can enable our customers to adopt these solutions.

CBA has provided support in raising finance to support and encourage customers to construct buildings that have a lower carbon footprint. For example, CBA worked with the University of Tasmania to issue a green bond to fund their buildings investment program using low carbon concrete.

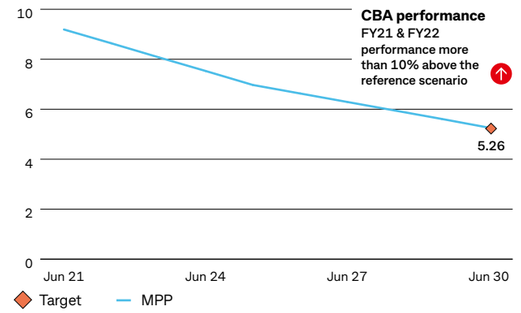
Steel emissions intensity[1] t-CO_2-e/t-steel



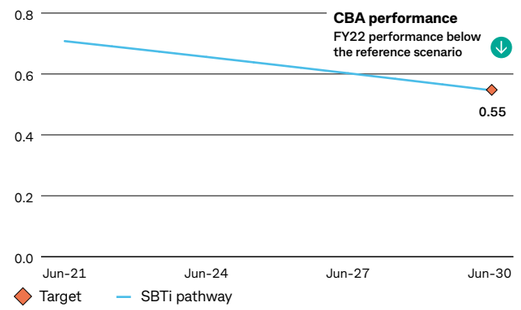
Alumina emissions intensity[1] t-CO_2-e/t-aluminium



Aluminium emissions intensity[1] t-CO_2-e/t-aluminium



Cement emissions intensity[1] t-CO_2-e/t-cement



+ To learn how to read these charts, see page 69.

1 Refer to page 98 for the assertions included in the scope of PwC's limited assurance engagement.

Upstream oil and gas extraction

In-scope drawn lending

0.1%

As at 30 June 2022

Financed emissions

5.4%

As at 30 June 2022

Scope

1 2 3

emissions

2030 targets

Oil: 1.9 $MtCO_2$

↓ **27%**

2020 baseline

Gas: 2.8 $MtCO_2$

↓ **17%**

2020 baseline

2020 baselines

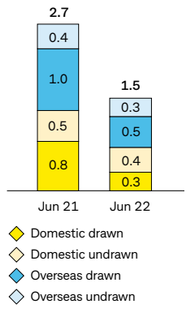
Oil: 2.6 $MtCO_2$

Gas: 3.3 $MtCO_2$

Scenario

IEA NZE (2021)

Drawn and undrawn lending exposure $bn



For methodology refer to pages 64–73.

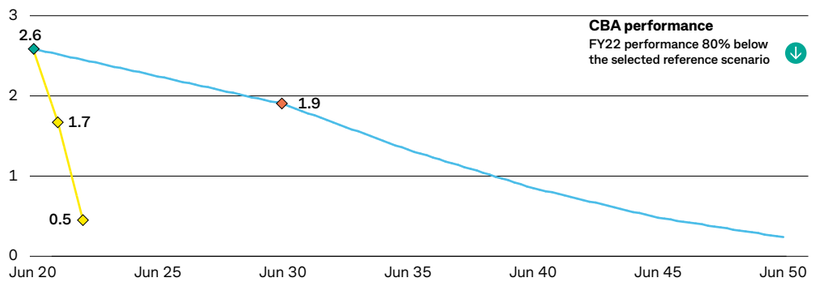
Sector overview and outlook

Gas is expected to continue to play a role in electricity generation to provide Australia with affordable, secure energy as the electricity infrastructure transitions. Of Australia's 2021 gas extraction, approximately 81% is converted to Liquefied Natural Gas (LNG) for export, 7% is consumed in manufacturing and industrial operations, 5% is consumed for residential and commercial heating and cooking, and 7% is used for gas-fired electricity generation.[1] LNG gas demand is expected to remain strong given the anticipated role of gas as a transition fuel in the Asian region. Demand for domestic consumption is forecast to gradually taper with low carbon fuel switching and increasing electrification.

Of Australia's 2020 oil consumption, 65% was for domestic transport and 22% for industry.[2] Looking forward, the transition away from combustion vehicles in the transport and mining sector is expected to be the key driver of falling oil demand.

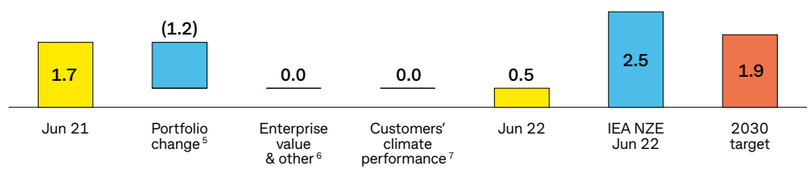
Our sector targets and portfolio

Upstream oil extraction absolute emissions[3] $MtCO_2$ per annum



To learn how to read this chart, see page 69.

Upstream oil extraction emissions portfolio movements $MtCO_2$ per annum



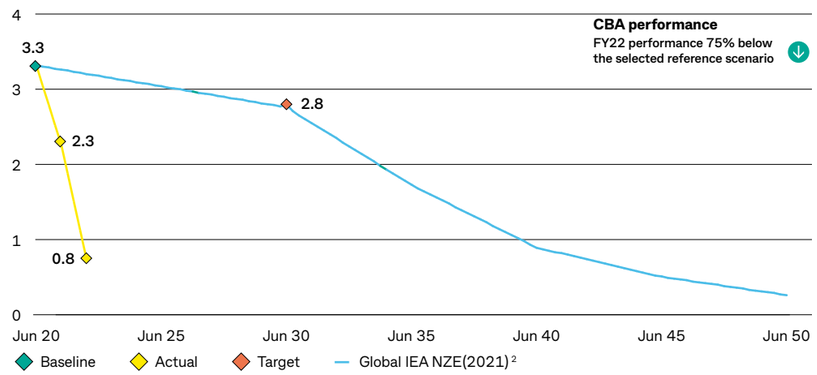
1 Refer to page 96 for source.
2 Refer to page 96 for source.
3 June 2022 upstream oil extraction *absolute emissions* of 0.5 $MtCO_2$ have been included in the scope of PwC's limited assurance engagement.
4 Refer to page 96 for source.
5 Movements in drawn lending exposure can affect the factor used to attribute a proportion of the customers' emissions and generation to CBA.
6 Impact of FX movements and changes in customers' enterprise value.
7 Includes the attribution of changes in individual company's emissions and *production* to CBA.

Our sector targets and portfolio (continued)

CBA's drawn lending exposures to upstream oil and gas extraction represents only 0.1% of the Bank's *in-scope drawn lending* as at 30 June 2022, having decreased our *in-scope drawn lending* exposures to customers in these sectors by 56%, or $1 billion, since 2021.

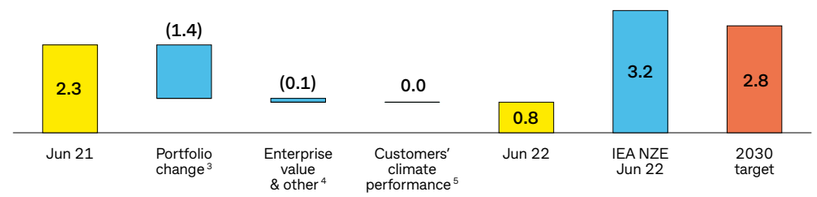
- As at 30 June 2022, the *absolute emissions* from the upstream oil extraction sector were 0.5 $MtCO_2$, 80% below the selected *reference scenario*. Since 2020, we have reduced our *financed emissions* in this sector by 81%, and since 2021 by 71%.
- As at 30 June 2022, the *absolute emissions* from the upstream gas extraction sector were 0.8 $MtCO_2$, 75% below the selected *reference scenario*. Since 2020, we have reduced our *financed emissions* in this sector by 76%, and since 2021 by 65%.

Upstream gas extraction absolute emissions[1] $MtCO_2$ per annum



To learn how to read this chart, see page 69.

Upstream gas extraction emissions portfolio movements $MtCO_2$ per annum



1 June 2022 upstream gas extraction *absolute emissions* of 0.8 $MtCO_2$ have been included in the scope of PwC's limited assurance engagement.
2 Refer page 96 for source.
3 Movements in drawn lending exposure can affect the factor used to attribute a proportion of the customers' emissions and generation to CBA.
4 Impact of FX movements and changes in customers' enterprise value.
5 Includes the attribution of changes in individual company's emissions and *production* to CBA.

Upstream oil and gas extraction (continued)

Sector dependencies to achieve our targets

Reductions in emissions in the oil and gas sector are assumed to be supported by the Federal Government's Safeguard Mechanism, which incentivises solutions to minimise *Scope 1 emissions*, including through *carbon capture and storage*. Elsewhere in the economy, a price on carbon will support reduced consumption of oil and gas.

Actions to help meet our targets

We intend to continue to support customers covered by our target, by providing lending in line with our *E&S Framework*, providing *ACCU* trading services, and working with our customers to understand their long-term transition plans and funding needs.

To meet our 2030 interim targets for these sectors, we are guided by our *ESG risk assessment tool*, our *glidepath* and the commitments in our *E&S Framework*. All corporate lending decisions within the Institutional Bank are subject to an ESG risk assessment, which is refreshed on an annual basis. To then understand the emissions impact on our portfolio, we individually assess the likely impact of new transactions on the portfolio's emissions. Since March, IB&M lending transactions in these sectors are subject to an escalation pathway which involves review by senior stakeholders within IB&M and our climate strategy team. This helps ensure the portfolio mix remains aligned to our targets and commitments.

Subject to Australia having a secure energy platform, we will expect certain *clients* to have published *Transition Plans* from 2025. This applies to existing oil and/or gas producing *clients* who derive 15% or more of their revenue from the sale of oil or gas, and to whom we provide *corporate or trade finance*, or *bond facilitation*.

Thermal coal mining

In-scope drawn lending

<0.1%

As at 30 June 2022

Financed emissions

1.2%

As at 30 June 2022

Scope

1 2 3

emissions

2030 target

0

$MtCO_2$

100%

reduction from 2020 baseline

2020 baseline

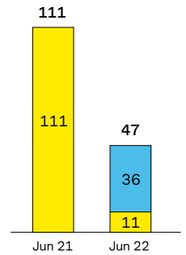
1.2

$MtCO_2$

Scenario

IEA NZE (2021)

Drawn lending exposure[6] $m



For methodology refer to pages 64–73.

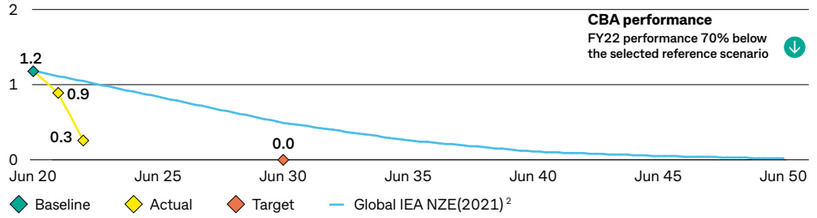
Sector overview and outlook

Australian thermal coal exports are forecast to remain strong over the medium-term, however demand will depend on how quickly Australia's trading partners in Asia transition to lower emission sources of energy. A number of diversified mining companies retain thermal coal interests to support the energy needs of the world today, while helping to unlock the critical minerals required for the energy system of the future.

Our sector target and portfolio

Our 2030 target for thermal coal mining is to reduce our *financed emissions* to zero. In line with our *NZBA* commitment, we include all coal mining customers with more than 5% of their revenues coming directly from the sale of thermal coal in our 2030 target. As at 30 June 2022, our thermal coal mining *in-scope drawn lending* exposure was $47 million, a decrease of 58% or $64 million since 30 June 2021. As at 30 June 2022, our *absolute emissions* were 0.3 $MtCO_2$, a reduction of 75% compared to our 2020 baseline, 67% since 30 June 2021 and 70% below the selected *reference scenario*. This decrease was driven by portfolio mix changes from a decline in our lending exposures to existing customers; partly offset by changes in the in-scope customer set in 2022. The change in the in-scope customer set was driven by elevated coal prices in 2022.

Thermal coal mining absolute emissions[1] $MtCO_2$ per annum



To learn how to read this chart, see page 69.

Thermal coal mining emissions portfolio movements $MtCO_2$ per annum

Actions to help meet our target

In line with our sector-level target outlined above, the Bank is planning to exit lending to thermal coal mining customers by 2030. Subject to this target, we continue to provide lending to support existing diversified mining customers. All corporate lending within the Institutional Bank is assessed through the *ESG risk assessment tool*, and we individually assess the likely impact of new transactions on the portfolio's emissions. Since March, IB&M lending transactions in these sectors are subject to an escalation pathway which involves review by senior stakeholders within IB&M and our climate strategy team.

1 June 2022 thermal coal mining *absolute emissions* of 0.3 $MtCO_2$ have been included in the scope of PwC's limited assurance engagement.
2 Refer to page 96 for source.
3 Movements in drawn lending exposure can affect the factor used to attribute a proportion of the customers' emissions and generation to CBA.
4 Impact of FX movements and changes in customers' enterprise value.
5 Includes the attribution of changes in individual company's emissions and *production* to CBA.
6 Domestic undrawn lending exposure for June 2021 was $3 million and for June 2022 was $3 million. There was no overseas undrawn lending exposure for June 2021 and for June 2022 it was $458 million. The increase in overseas undrawn lending was driven by changes in the in-scope customer set in 2022.

Australian agriculture

Sector overview

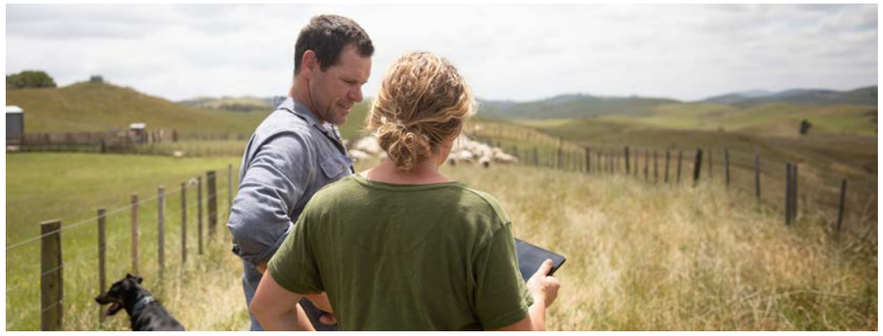
Farming plays an essential role in the Australian economy and society, by supplying food and fibre for Australia and the rest of the world. The sector also provides direct and indirect employment to rural communities in regional Australia. The agriculture sector is also a large producer of emissions, accounting for 17% of Australia's net emissions, or 15% excluding land-use, *land-use change* and forestry, in 2021.[1] In seeking to reduce emissions in this sector, competing factors will need to be considered. These include maintaining food security and economic activity, impacts on *biodiversity*, and the significant role that *nature*-based *carbon capture* can play in Australia achieving net zero by 2050. Some in the sector may choose actions that reduce the emissions associated with their farming, while others may choose to supply carbon offsets for other industries' emissions. Such decisions will be farm specific and we are committed to working with our customers in the sector.

Challenges in setting a target

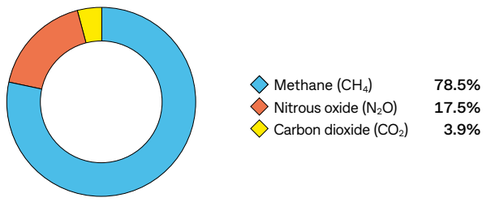
Lending for the Australian agriculture sector accounted for 1.5% of our *in-scope drawn lending* and 13.4% of our *financed emissions* as at 30 June 2022.

The agriculture sector presents specific challenges, including the measurement of emissions; multiple gas sources, such as carbon dioxide, methane and nitrous oxide; a variety of different agricultural activities; and a unique relationship between the generation and storage of emissions.

The absence of widely accepted 1.5°C aligned, Australia-specific transition pathways also makes it challenging to set targets. Given the diversity of goods and services produced, agriculture requires specific sub-sector transition pathways, for example beef, dairy, sheep and grain. Despite these challenges, we are committed to exploring available methodologies and engaging with relevant stakeholders.



Sources of greenhouse gas (GHG) emissions in the Agriculture sector[1]



For methodology refer to pages 64–73.

1 Refer to page 96 for source.

Supporting our farmers with sustainable solutions

CBA has a long history of supporting Australian farmers. We now offer a range of sustainable finance and carbon market solutions, enabling us to continue supporting our customers as they seek to transition their farms and businesses to adopt more environmentally sustainable practices. Our Agri Green Loan aims to support our farmers to invest in regenerative farming practices, renewable energy generation and other activities that are designed to improve climate and *nature* outcomes. Sustainability Linked Loans reward our larger customers for meeting sustainability targets, while our Green Vehicle and Equipment Finance incentivises our customers to switch to using energy efficient vehicles, machinery and other equipment.

We assess lending to the Australian agriculture sector using our productivity mapping tool and *ESG risk assessment tool*. These processes help us to consider the risks and preparedness of our customers to environmental factors, including climate change, and broader ESG risks, such as modern slavery. Together the tools support our bankers in their conversations with our customers about how prepared their farms are to withstand the impacts of climate change and address other environmental issues. Management of environmental risks is one of the many risks that factor into a customer's total risk profile when we make credit decisions. The presence of a sound drought management plan and implementation of those initiatives are examples of how farmers can address their ESG risks.

Over time, we intend to refine the questions asked within our *ESG risk assessment tool* to deepen the level of enquiry into the various categories of environmental risk, for example the management of net emissions, *natural capital*, waste and water.

We commenced working with natcap, who are specialists in *nature* intelligence, to evaluate key areas of impact and dependency in portfolios such as agriculture. Early areas of focus are *land-use change*, *water stress* and *soil erosion*. Insights from this work can help identify opportunities to better support our customers in improving resiliency and *nature* outcomes.

Refer to pages 40–41 for more information on our productivity mapping tool and *ESG risk assessment tool*; and pages 48–49 for information on our approach to understanding *natural capital*.

Helping to restore land and grow solar power

CBA is supporting West Australian Corn Growers to progress their sustainability goals through investment in land restoration and solar power generation. They are joining the carbon market place by regenerating unused land and growing native vegetation as part of a carbon farming project. This new initiative with CBA helps West Australian Corn Growers to build upon their existing sustainability strategy.

> Farms, like ours, often have unused land. It makes sense to use these areas for a positive purpose."

Jim Trandos

Managing Director, West Australian Corn Growers

Australian commercial property

Sector overview and outlook

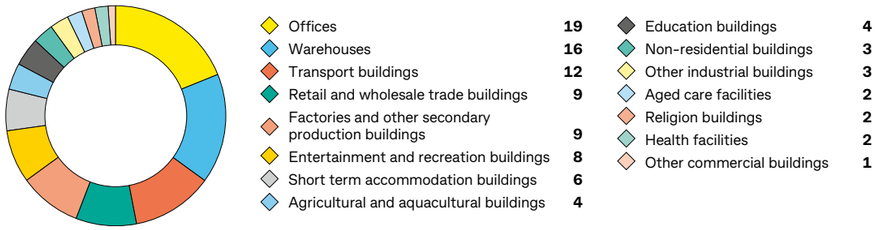
We see significant opportunity to support our commercial property customers in reducing their emissions by switching to renewable energy, and improving building energy efficiency. Commercial buildings account for approximately 25% of overall electricity use and 10% of total carbon emissions in Australia[1]. *Decarbonising* Australia's electricity grid and actions from government to support improvements to existing buildings are key measures needed to support the sector's transition.

Challenges in setting a target

Lending to the Australian commercial property sector accounted for 6.5% of our *in-scope drawn lending*, and 5.8% of our *financed emissions* as at 30 June 2022. A key challenge for commercial property is the lack of reliable data on property-level emissions for buildings that do not publicly disclose emissions or do not have a National Australian Built Environment Ratings System (*NABERS*) rating. Adding to the difficulty is the range of commercial properties and how they are used, which can vary from warehouses to aged care facilities. This can lead to very different energy efficiency and consumption patterns.

Despite these challenges, we are committed to leveraging available data and working towards setting an interim sector-level *financed emissions* target in 2024.

Non-residential floor area shares[1] (%) by Space use type, Australia, 2020



Supporting our customers to transition

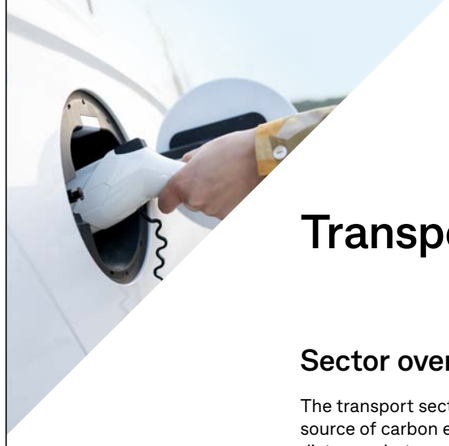
We provide a number of options to our commercial property customers which are designed to help them reduce their emissions. Commercial Property Financing is available for the purchase or construction of low carbon commercial buildings with a *NABERS* Energy Rating or Green Star Rating of 5 stars and above. For existing buildings, the Property Sustainability Upgrade Loan provides our customers with low fee financing options to make upgrades to the energy and water efficiency of their properties, reduce carbon emissions, and achieve higher *NABERS* ratings on their buildings.

For methodology refer to pages 64–73.

Upgrading the energy efficiency of existing buildings

CBA supported Collective Capital to purchase a commercial property in Melbourne and provided a Property Sustainability Upgrade Loan to help them make upgrades to the building. Through our financing support, Collective Capital is investing in improvements to the building's heating, ventilation and air conditioning, elevators, water units and lighting.

1 Refer to page 96 for source.



Transport

Sector overview and outlook

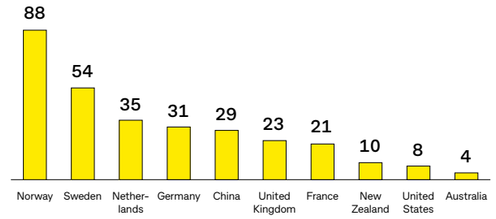
The transport sector consists of aviation, shipping, rail and road transport. It is Australia's third largest source of carbon emissions, accounting for 19% of Australia's total emissions in 2021. Given the distances between Australia's largest cities, Australia relies heavily on road transport to connect people, as well as distribute products. While use of electric cars and trucks can reduce emissions, more support is required from policy makers to improve Australia's electric vehicle charging infrastructure, legislate fuel efficiency standards and bring down technology costs. Credible scenarios see the development and commercialisation of biofuels playing an important role in the *decarbonisation* of shipping and aviation.

Challenges in setting a target

Lending to the transport sector, accounted for 0.9% of our *in-scope drawn lending* and 7.4% of our *financed emissions* as at 30 June 2022. Our lending portfolio consists of customers who range in size from small businesses through to large listed entities and multinationals.

A key obstacle for transport is the lack of reliable data on emissions intensity across the sub-sectors that make up CBA's transport lending portfolio. These include aviation, shipping, rail and road transport. Adding to this challenge are the number of different types of vehicles and uses, which leads to different types of fuel efficiency and consumption patterns. Compared to international peers, Australia has been relatively slow to transition to electric vehicle usage, making global targets difficult to translate for Australia. The National Electric Vehicle Strategy is helpful in adjusting global transport outlooks to reflect Australia's current transport outlook.

Electric car sales share[1] % of total sales, 2022



Despite these challenges, we are committed to leveraging available data and working towards setting an interim sector-level *financed emissions* target in 2024.

For methodology refer to pages 64–73.

Policy commitments that help remove barriers

The Australian Capital Territory has set an ambitious 'zero emissions' vehicle sales target of 80-90% by 2030, supported by the intention to phase-out light internal combustion engine vehicles, like petrol and diesel, by 2035. Government cars will also be required to be either electric vehicles or hybrid. Supportive policy measures such as these help to make accessing 'zero emissions' vehicles more affordable and contribute to the transport sector's *decarbonisation*.

Innovative financing solutions to support ACT's climate change strategy

CBA was able to provide an innovative financing solution to enable Zenobe to lease 'zero emissions' buses and charging infrastructure to Transport Canberra. The first 12 battery electric buses, combined with the potential purchase of a further 90 electric buses supports Transport Canberra to achieving a fully electric bus fleet by 2040.

1 Refer to page 96 for source.

Bringing stakeholders together

Climate change is a collective challenge that requires collaboration with a number of stakeholders including our customers, communities, government, industry and academia.

Sharing insights through partnerships and collaboration

CBA has partnered with the Harvard Sustainability Transparency Accountability Research (STAR) Lab to fund three Harvard based researchers, as well as two locally based research fellows commencing in July 2023. The research intends to use behavioural science to produce insights to explore ways we can help our customers and communities understand and take action on climate change. We plan to develop interventions to nudge customers to upgrading their homes to increase resilience against major weather events and lower their emissions.

To strengthen our internal capabilities and help us establish our strategy and approach to *nature* and *biodiversity,* we have engaged natcap – a *nature* intelligence company. We have co-developed tools and used natcap's insights to help us better understand the *nature*-related risks and dependencies in our financing activities.

For more information on how we understand *natural capital* see pages 48–49.

Supporting public policy that addresses climate

CBA supports the Government's emissions reductions target. To support a purposeful and coordinated transition, we support public policy development through direct engagement with Government and industry group advocacy. Over the past year, CBA has advocated for strengthening residential energy efficiency standards and a sustainable finance taxonomy. We have also contributed to Treasury's development of mandatory climate-related disclosures in line with international developments.

Refer to page 88 for more information on how we engage.

Aligning our industry associations and memberships

CBA supports climate advocacy through its industry associations including the Australian Banking Association (ABA) and specialist groups like the Australian Sustainable Finance Institute (ASFI). We have reviewed our major industry associations' policy positions against our key positions on climate change. We are broadly aligned on these matters.

CBA is a leading contributor to the ABA's Climate Roadmap, which focuses on both industry and government actions to reach net zero. This includes reducing *operational emissions* and developing industry frameworks for *financed emissions*, scenario analysis and disclosures. CBA has contributed to industry advocacy on improving home energy efficiency and strengthening estimates of household *Scope 1 and 2 emissions*. Through the ABA, we have contributed to the National Energy Performance Strategy consultation and are supporting the development of a taxonomy for green finance. We also belong to the ABA's Insurability working group, which is examining climate-related insurance risk and how the industry supports customers impacted by natural disasters. CBA is a member of the Australian Sustainable Finance Institute, who has been leading the development of a sustainable finance taxonomy in Australia.

For more detailed information see page 88.

Developing Australia's carbon market with Greening Australia

In partnership with Greening Australia, we invested in Nindethana Seed Service, Australia's largest native seed merchant. Our investment is intended to support the expansion of Australia's native seed market and help meet demand from carbon abatement and *biodiversity* restoration projects. Native seed is a critical input for large-scale land restoration projects, supporting Australia's *biodiversity* and unique ecosystems by providing habitat for native wildlife and boosting landscape resilience.

The demand for native seed comes from both carbon abatement projects and organisations seeking to help restore land that has been impacted by natural disasters or heavy industrial usage. Nindethana works with seed collectors across the country to help develop and expand Australia's native seed industry, including supporting the development of existing Indigenous-owned native seed businesses. Our investment aims to support the preservation of certain native plant species from extinction, and the growth of an industry that can play a critical role in helping to meet Australia's net zero by 2050 commitments.

Testing the resilience of our business

We use climate scenario analysis to test the resilience of our strategy to the physical and transition risks of climate change, and to inform how we can support our customers.

Using scenarios in our decision making

Climate scenarios can inform our strategy and risk management decisions by helping us understand the outcomes of credible transition pathways and changes to weather patterns as a result of climate change.

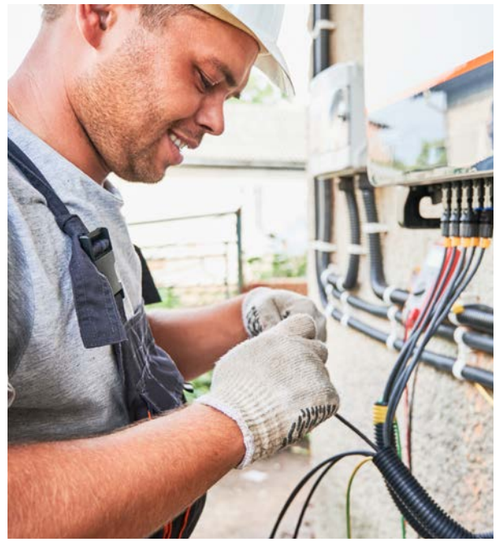
In 2023, we have continued to use climate scenarios for both purposes. We explored scenarios in the development of our new sector-level *financed emissions* targets for Australian housing and *heavy industry.* Analysis of fuel switching and efficiency measures and solar and battery penetration helped us assess the feasibility of achieving the 2030 target for Australian housing. We reviewed a range of global scenarios to assess the feasibility of the *heavy industry* transition pathways.

We have expanded on our climate scenario analysis for the purpose of testing the resilience of our portfolio. This included updating and expanding previous analyses, evolving methodologies, and exploring new risk types such as the impact of sea level rises. We have continued to embed the results of scenario analysis in our risk management practices.

For more detailed information please see the scenario analysis on pages 42–47.

Understanding climate intentions versus climate actions

CBA's Behavioural Science Centre of Excellence is working to understand customer climate-action drivers and intentions. We tested the behaviours of 2,500 Australians to measure their climate-related intentions versus actions. We established that while approximately 60% of Australians intend to act on climate change, only around 40% actually do. We will use these findings to understand how we can actually encourage more of our customers to take action on climate change, and educate them on how CBA can support them to achieve their personal climate goals.



Supporting the resilience of home loan customers

We have the ability to engage with our customers to help them understand and improve the resilience of their homes against increasingly frequent extreme weather events such as droughts, floods, bushfires and storms.

This year CBA launched the Building Resilience Pilot program with the support of Edge Impact. The aim of the program is to provide customers with information and tools to make informed decisions regarding their home's climate resilience, and to identify areas of their homes that may increase their vulnerability to potential climate hazards.

The pilot looks to generate property-specific climate resilience insights for a small cohort of home loan customers in New South Wales who may be exposed to bushfire or flood events, and suggests tangible actions that homeowners might consider to improve their home's resilience. Climate resilient customers have a reduced risk of climate-related damage to their home and property. Our goal is to expand the pilot to further parts of our home loan portfolio to support more Australians to understand and manage their exposure to the physical impacts of climate change.

Governance

Providing effective governance of environmental issues enables the Board to oversee the Bank's management of climate-related risks and opportunities.

Our approach to governance

The Board continues to oversee the assessment of risks and opportunities arising from climate change. Each of the Board's four standing committees assists the Board to carry out its responsibilities. The Board holds the CEO and ELT accountable for the delivery of E&S responsibilities, including climate.

Oversight of our Environmental and Social commitments

CBA Board

Group Strategy | Group Risk Management Approach | Group Risk Appetite Statement

Risk & Compliance Committee | Audit Committee | People & Remuneration Committee | Nominations Committee

Independent assurance and advice

Including internal and external audit

Chief Executive Officer (CEO)

Executive Leadership Team (ELT)

Key management committees

Financial Risk Committee (FRC)
Assists and advises the CEO on the governance, optimisation and effective management of the Group's financial risks, including credit, market, and model risks in accordance with the Group Risk Appetite Statement (RAS) and Group Risk Management Approach (RMA).

Non-Financial Risk Committee (NFRC)
Assists and advises the CEO on the governance, optimisation and effective management of the Group's non-financial risks, in accordance with the Group RAS and Group RMA approved by the Board.

Asset & Liability Committee (ALCO)
Optimises the actual and strategic balance sheet settings, along with overseeing the effective management of the Group's non-traded market risk, structural foreign exchange risk, liquidity, funding and capital.

Risk & Remuneration Review Committee (RRRC)
Supports the Group Chief Risk Officer to advise the CEO and the Board on the inclusion of risk considerations in determining remuneration outcomes across the Group.

Executive Leadership Team Environmental & Social Committee (ELT E&S Committee)

Business and Support Unit Leadership Teams

Board responsibility and climate expertise

As set out in last year's Climate Report, the Board continues to be responsible for the strategic consideration of the E&S impact of the Bank's activities, and holds the CEO and ELT accountable for the delivery of E&S responsibilities. The Board monitors the E&S work program, including the transition roadmap developed by management to meet CBA's climate-related targets. This year, the Board discussed and approved new *financed emissions* targets for our Australian housing and *heavy industry* portfolios. The Board has requested periodic updates to track the progress of these targets. E&S is one of the skills included in the Board Skills Matrix with Directors assessing their prior experience and continuing education relating to a skill. On E&S skill, four directors have been assessed as 'high competency, knowledge and experience' and six have been assessed as 'practised/direct experience'.

For more information about the Board Skills Matrix, see page 73 of the 2023 Annual Report.

Climate agenda items at our Board and Board committees

The Board has extensive discussions which cover a range of topics. The table below captures formal climate agenda items at Board and Board committee meetings.

		Meetings with climate agenda items in 2023					
	Agenda items	**Aug 22**	**Oct 22**	**Dec 22**	**Feb 23**	**Apr 23**	**Jun 23**
Board	Climate Strategy Update			●		●	
	Climate Risk Update				●		
	E&S Policy					●	
	E&S Update				●		
	Climate Report	●					●
Risk & Compliance Committee	Chief Risk Officer's Report				●		
	Climate Risk Update		●				●
	Risk Appetite Discussion						●
	Group Residential Mortgage Lending Review					●	
	Risk Management Declaration Challenge session	●					
Audit Committee	Group Audit & Assurance Report				●		
	External Audit Update on reporting frameworks					●	
People & Remuneration Committee	Annual Reporting session – summary of key remuneration issues including Environmental, Social & Governance				●		●

● Considered

Executive remuneration

The current executive performance and remuneration framework considers specific E&S, including climate, deliverables. E&S is included within the Strategy Execution key performance indicator (KPI) for the ELT, including the CEO. Assessment of executive performance includes a review of progress on delivering the Group's strategic priorities including advancing our E&S commitments, reducing our *operational* and *financed emissions*, and launching multiple partnerships to increase our climate capability.

Management of E&S risk is also incorporated in executive remuneration considerations through Executive Risk Scorecards which assess risk culture and leadership, risk strategy and appetite, incidents and issues, and the risk and control environment.

As part of determining performance and remuneration outcomes, the four Board committees meet concurrently in February and June each year to review executives' individual and collective accountability for both good and poor risk outcomes. The Executive Risk Scorecards are used to support their decision making process. The Board can decide to apply downward adjustments, including to zero, to the CEO or an executive's variable remuneration and deferred awards, if they fail to meet risk management expectations. Variable remuneration for the ELT includes short-term variable remuneration, long-term alignment remuneration and long-term variable remuneration.

For more information, refer to the Remuneration Report on pages 88–116 of the 2023 Annual Report.

Executive Leadership Team governance forums in 2023

Management's accountability for assessing climate-related risk and opportunities

As set our in last year's Climate Report, the CEO is accountable for developing the Group strategy, and prioritising and allocating resources to deliver the strategy which includes climate-related opportunities.

Our Risk Management Framework incorporates a number of material risk types, including E&S risk, each with their own specific frameworks to identify, assess, govern and manage their unique risks. Other governance committees within the Bank, such as product governance forums and transaction-level committees, support the Board's oversight and ELT's management of climate-related risks and opportunities. E&S risk may also be included in existing forums such as our Financial and Non-Financial Risk Committees, which are chaired by our Group Chief Risk Officer and CEO.

ELT E&S Committee

Chaired by: CEO

Meets: Monthly, with the exception of December

Key decisions included:

- Review of *E&S Framework*.
- Approved methodology for new sector-level *financed emissions* targets – Australian housing and *heavy industry*.
- Monitoring of existing targets and transaction monitoring.
- Approval of *natural capital* priorities, including developing partnerships to bring *natural capital* analytical capabilities to Australia; continuing to explore products that help customers improve *nature*-related outcomes; and continuing to test and learn with disclosure frameworks such as *TNFD*.

Approving the methodology for our new sector-level targets

Ahead of approval by the Board, the ELT E&S Committee endorsed the methodology for our new sector-level targets, Australian housing and *heavy industry*. This occurred after our customer-facing business units discussed the targets.

Financial Risk Committee

Chaired by: Group Chief Risk Officer

Meets: Monthly, with the exception of December

Key responsibilities include:

- Reviewing and monitoring the effectiveness of the financial risk elements of the Group *RAS*, frameworks and policies.
- Assessing new and emerging financial risks and industry trends, including regulatory, E&S risks and stakeholder expectations.
- Overseeing credit and market risk stress testing outcomes, and reviewing the operations and outcomes of the Loan Loss Provisioning Committee.
- Reporting and escalating material financial risk matters to the Board or Board committees.

Non-Financial Risk Committee

Chaired by: CEO

Meets: Six times per year

Key responsibilities include:

- Reviewing and monitoring the effectiveness of the non-financial risk elements of the Group *RAS*, frameworks and policies.
- Assessing new and emerging non-financial risks and industry trends.
- Overseeing the effectiveness of the internal control environment for non-financial risks, and managing regulatory relationships. For example, in March the Non-Financial Risk Committee noted regulator focus on the topic of greenwashing.
- Reporting and escalating non-financial risk matters to the Board or Board committees.

Approving our new E&S risk indicators

The Risk & Compliance Committee (RCC) periodically reviews the Group *RAS*. This year, the RCC reviewed recommendations from management including to enhance the monitoring of *transition risk* in the Institutional Bank lending portfolio. The RCC discussed the proposal and recommended the Board change the E&S risk indicators in the Group *RAS*. The Board resolved to change the E&S risk indicators in the Group's *RAS*.

Embedding E&S governance into our business

The Bank has a number of mechanisms in place to oversee our E&S commitments and track our progress to meet them.

During the year, we reviewed our *E&S Framework* and refined our approach to assessing certain *clients*' transition plans against the expectations set out in the *E&S Framework*. We also clarified how our business units should develop products or services with E&S features. Our Product Development Procedure helps to ensure that products and services we develop and distribute meet our customers' likely objectives, financial situation and needs, and are monitored to identify and address any issues or concerns. This year, we added requirements for business units to govern, manage and monitor products or services that have E&S features, and to escalate any changes to E&S features to E&S subject matter experts within their business units.

Transaction-level committees can support our business units to make decisions on transactions which require further consideration of financial and non-financial risks, including E&S and reputational risk. In March, we established a new transaction-level committee in our Institutional Bank, which involves senior stakeholders within IB&M and our climate strategy team. This committee reviews certain transactions in fossil fuel sectors.

Managing E&S commitments

In 2022, we established a Commitments Register to track and manage how we comply with our E&S commitments. This year, we integrated the commitments outlined in our *E&S Framework* from our register into the Bank's risk management system to enhance our risk management framework, and improve reporting and governance. Ahead of publishing our 2023 *E&S Framework*, relevant business units and support units used the risk management system to complete an attestation to the E&S policy commitments reflected in the Framework.

Reviewing our E&S Framework

In 2023, we reviewed our E&S policy settings and updated our *E&S Framework*. As the Board has responsibility for approving the *E&S Framework*, we held separate discussions to debate the proposed new E&S policy settings.

Discussions considered external factors such as credible modelling on the global transition to net zero and *decarbonisation* of Australia's electricity grid, Australia's energy security, external stakeholders' perspectives, and the role that companies with diversified operations (such as resources companies) could play in the transition. Internal factors we considered included CBA's strategic priorities as well as our ability to implement the policy effectively.

Through those discussions, the Board resolved to approve the 2023 E&S Policy and publication of the *E&S Framework*. These include key additions and updates to our commitments. For example, subject to Australia having a secure energy platform, we will:

- provide no project finance to new or expanded oil and/or gas extraction projects.[1] In this instance, this includes reserve-based lending for new or expanded oil and/or gas extraction projects;
- provide no project finance to (i) new floating production storage and offloading infrastructure dedicated solely to new oil extraction projects; (ii) new transmission pipelines dedicated solely to new oil or new gas extraction projects; or (iii) new oil ships or new gas vessels;
- not provide *corporate or trade finance*, or *bond facilitation*, to power generation *clients* that are proposing to expand or are expanding their coal-fired power generation capacity.[2] This applies only to new and existing power generation *clients* who generate 25% or more of their electricity from coal;
- not provide *corporate or trade finance*, or *bond facilitation*, to new *clients* who derive 25% or more of their revenue from the sale of thermal coal; and
- only offer *corporate or trade finance*, or *bond facilitation*, to existing oil and/or gas producing or metallurgical coal mining *clients* who derive 15% or more of their revenue from the sale of oil, gas or metallurgical coal, or power generation *clients* who generate 25% or more of their electricity from coal, after an assessment of the environmental, social and economic impacts. From 2025, we will expect these *clients* to have published *Transition Plans* that include their *Scope 1, 2 and 3 emissions*.

For more information on our *Transition Plan Framework* see page 77.

The *E&S Framework* is available to read at commbank.com.au/policies.

Building capability in our people

Building our people's knowledge of climate and broader environmental risks is an important enabler in our strategy and approach to environmental risk management.

We have built a range of learning modules and training resources focused on uplifting our front line teams' climate capabilities. For our lenders in the Retail Bank, this includes an eLearning module, outlining the products lenders can offer to help customers navigate the transition, and detailed conversation guides to provide our lenders with additional support. In addition to online training, our Business Banking team members can attend classroom sessions and webinars that discuss the features of our more sophisticated financing options. Throughout the year, we held training sessions for our business bankers outlining the *ESG risk assessment tool* process. In the Institutional Bank, all team members are required to complete ESG fundamentals training. Additional training on the *ESG risk assessment tool* is required for frontline bankers and credit risk teams who are assessing institutional lending transactions.

We have also sought to engage our people through access to conferences and knowledge sharing events. More than 200 people attended our second Momentum Sustainability Conference, which brought together discussions from leading experts on how we can accelerate Australia's transition. This was followed by our Banking the Transition Week, attended by over 2,300 people, that explored how some of our larger customers are approaching their transition journeys.

1 This applies to project finance to *clients* involving (a) a greenfield oil or gas extractive activity; or (b) a brownfield expansion of an oil or gas extractive activity.
2 Expansion of coal-fired power generation capacity means constructing a new greenfield coal-fired power station or undertaking works, outside of routine maintenance, to expand the capacity of an existing coal-fired power station.

Risk

Climate-related risks can have different impacts on our customers, people, communities and the Bank. Our risk approach seeks to ensure we understand and address these impacts.

Our approach to climate risk

A key part of our climate strategy is to build leading climate risk management practices. We seek to understand how E&S issues could impact our business, and how our business activities can have an impact on climate, our customers and the community. We have a range of tools and processes to help us identify and assess the risks to our operations and strategy, and will continue to manage and monitor these risks as they evolve.

The Bank manages risks, including E&S risk, through our Risk Management Framework (RMF). E&S risk includes climate change and *nature*-related impacts and represents drivers of material strategic, financial and non-financial risks to the Bank. Our approach seeks to measure and monitor the *physical* and *transition risks* from climate change that impact our business over different time horizons. We model potential climate scenarios to inform our understanding and guide our future actions.

We have made further progress on maturing our risk management approach by:

- Finalising the stranded asset *RAS* indicator for the agriculture portfolio and the *non-retail* Institutional Banking portfolio.
- Completing E&S Risk and Control Self-Assessments (*RCSAs*) across all relevant business units during the year. This has positioned us to better understand the Bank's E&S risks and track our management of E&S risk as it evolves.
- Updating our Supplier Risk Governance (SRG) tool and processes to enhance our ability to assess supplier environmental practices against CBA policy and commitments.
- Establishing stress testing of climate scenarios and monitoring of outputs against the market risk *RAS*.
- Updating the Group's Product Development Procedure to govern the development and in-life monitoring of products with E&S features.

For more information on our approach to risk management, see the Annual Report on pages 60–65.

How we see climate-related risk impacts

Climate change can impact our risks over the short-, medium- or long-term, and we acknowledge the continuing uncertainty of climate change and its impacts. The table below outlines our current view of the potential compounding effect that climate risks can have on the Bank's material risk types, including the time horizons of their expected impact. Through our E&S work program, we continue to enhance our E&S tools, risk processes, governance and capabilities for each risk type, to enable us to better identify, assess and manage climate risks across the business.

Climate impacts on our risks

Risk types	Potential impacts for the Group	Identify & assess climate impact	Manage & monitor climate impact
Strategic **Profitability and business model**	The financial performance of the Group could be impacted if revenue forgone from reducing our exposure to high emitters is not offset by financing opportunities in new green or renewable industries, or industries which are resilient to climate change. Any climate commitments made by the Bank which are perceived to be inadequate could potentially result in exclusion of the Bank from the significant future global and local transition economy. Measures are in place to minimise this risk through our Sustainability Funding Target and developing sustainable products and services.	• Scenario analysis • *Financed emissions* analysis and reporting • *RCSA*	• Sector-level *financed emissions* targets (*glidepaths*) • Developing products with E&S features • Setting and monitoring our Sustainability Funding Target • Product lifecycle monitoring • *E&S Framework* approved by the Board
Reputation	The Bank's reputation could be damaged if our climate policies, *financed emission* reduction strategies, or Sustainability Funding Target fails to meet community expectations. In addition, failure or perceived failure of the Bank's governance, systems and processes, as well as failure to meet regulatory expectations or adhere to our public commitments can lead to regulatory sanctions and damage to our brand. The Bank has implemented a number of measures to minimise these risks, however due to the rapidly changing and escalating customer, community and regulatory expectations in relation to climate action there is potential for a reputational incident to occur.	• Shareholder feedback • Regulatory and industry engagement • ESG risk assessments	• *E&S Framework* approved by the Board • ESG risk assessments • Escalation of decisions to business unit (BU) governance committees • Group Publicly Issued Documents and Marketing Materials Policy
Capital adequacy	A high number of defaults arising from a severe climate event such as a flood or cyclone could reduce the Group's capital. The likelihood of a single event, or series of events that could materially deplete our capital, is considered negligible, and the Group maintains strong capitalisation to minimise the impact of such a risk.	• Scenario analysis	• Climate scenario consideration in the annual Internal Capital Adequacy Assessment Process
Financial **Credit risk**	*Physical* and *transition risks* could impact the ability of households and businesses to repay their loans, and the severity of these defaults could increase due to decline in the value of the assets held as collateral by the Bank. This is particularly relevant to: • Retail and business customers in high risk zones who are unable to secure adequate insurance cover against permanent damage, or face longer periods of employment or business disruption arising from more frequent and severe weather events and longer-term shifts in climate patterns. • Reduced viability of business models of *non-retail* customers due to regulatory changes, technological advancements, or changing community expectations.	• Scenario analysis • Credit risk assessments	• Climate stranded asset *RAS* monitoring • Engagement on existing customer transition plans • Group Credit Risk Framework
Market risk	The Group is exposed to market risk through its Markets portfolios. Climate *transition risks* from changes in policy, technological innovation or community expectations, could result in rapid repricing of financial instruments and corporate debt affecting the value of exposures within the Group. Marketable securities are less vulnerable to the impacts of a longer-term transition to net zero due to the short-term nature of our exposure, and by limiting our *fossil fuel extraction* exposures.	• Stress testing	• Limit management • Monitoring market risk stress test results
Liquidity risk	An extreme climate event such as a flood or cyclone could lead to an increased demand for liquidity to support customers. The likelihood of a single event or series of short-term events leading to significant liquidity exposure is considered negligible.	• Group Liquidity Policy and Liquidity Management Standard	• Group Liquidity Policy and Liquidity Management Standard
Compliance **Conduct risk**	The Bank could be exposed to conduct risk from actions by the Bank in situations of increased customer vulnerability, hardship and default arising from the impacts of climate change. Examples include the inability of customers to repay loans due to loss of employment in regions or industries previously dependent on high emitters; new sustainable products or services; pricing or lending criteria deemed to be unfair to certain segments of customers; or misrepresenting the extent to which a product or service is 'environmentally friendly'. Measures are in place to help us treat customers fairly. However, the Bank may need to make difficult decisions in the future in relation to lending in high risk zones which may be perceived to be unfair to existing or future customers.	• Customer hardship processes	• Escalations to BU governance committees • Customer hardship processes • Product development procedures and governance • In-life product monitoring
Regulatory and licensing risk	Risk of failure to comply with current and emerging climate risk regulations, laws, rules and licence conditions could expose the Bank to the risk of penalties, fines, increased supervisory oversight and reputational damage. There are currently minimal regulatory requirements in relation to climate risk in Australia and internationally. This is expected to increase when climate-related reporting for large institutions in Australia becomes mandatory, expected from 2025 for the Bank.	• Regulatory change process	• Obligation management processes • Compliance attestations • Group Publicly Issued Documents and Marketing Materials Policy • Regulatory change process
Operational **Third party supplier risk**	A large number of third party suppliers perform services for, or on behalf of the Bank. Poor environmental practices by a supplier, or practices that fail to meet regulatory or stakeholder expectations, or that are not aligned to CBA's *E&S Framework*, could result in poor reputational, operational or compliance outcomes for the Group. This includes situations where the supplier's failure gives rise to the Group failing to meet its own E&S commitments. The Group's supplier selection processes, contract management and ongoing supplier performance monitoring seeks to reduce this risk. Business practices to adapt to and address the risks of climate change are also still maturing across most industries.	• SRG tool and processes • *RCSA*	• Supplier lifecycle management incorporating E&S considerations
Legal/Liability risk	Legal liability risk for the Bank could arise where our strategies, policies, actions or decisions are perceived to not be aligned to our public disclosures or commitments, or where the Bank has potentially made inaccurate or misleading representations. It could also arise where shareholders deem that the Bank's response to the impacts of climate change is inadequate and has led to a decline in the franchise value of the Bank. Mismanagement of contractual obligations in relation to environmental products and services could also result in legal liability risk. Measures are in place to minimise this risk, however there is still potential for impacts from these risks due to the rapidly changing and escalating expectations in relation to climate action from a wide range of stakeholders, and business practices to adapt and address them are still maturing.	• Legal reviews • *RCSA* • Regulatory and industry engagement	• *E&S Framework* approved by the Board • Escalation of decisions to BU governance committees as relevant • Legal advice and processes • Compliance attestations
Business disruption risk	The Group has 741 branches across Australia, a large network of ATMs, as well as operations in a number of countries. Severe weather-related events could temporarily disrupt the Group's ability to provide services to our customers in impacted regions. The Bank has strong business continuity practices that have been refined in recent years through a number of disruptive events such as COVID-19 and floods in regional areas.	• Business continuity planning assessments • *RCSA* • Scenario analysis (Australian *acute physical risks*)	• Business continuity planning and resilience testing

Time horizon to impact: Short-term – up to five years · Medium-term – five to 10 years · Long-term – more than 10 years

Identifying and assessing

We use a range of tools to identify and assess climate-related risks, taking a risk-based approach to prioritise those that we consider are most material to the Bank. Science-based risk assessments, such as climate scenario analysis, can also inform our understanding and actions.

ESG risk assessment tool

Our *ESG risk assessment tool* plays an important role in our corporate lending decision process by assisting our front line bankers to:

- Identify and assess the E&S risks that our customers are exposed to.
- Assess the mitigating actions that our customers take to manage their E&S risks.
- Assess how lending to our customers aligns to the commitments made in our *E&S Framework*.

The *ESG risk assessment t*ool is supported by a dataset of initial risk ratings across ten key focus areas including: climate and energy; climate *physical risk*; water; pollution; *biodiversity*; human rights; labour rights and modern slavery; Indigenous rights; workplace health and safety; and anti-corruption and governance. The tool also includes specific questions aimed at assessing a lending transaction's alignment to the commitments in the *E&S Framework*.

The *ESG risk assessment tool* is part of the Bank's corporate loan pricing system, with relevant project finance transactions following the Equator Principles process requirements.

The tool directs bankers to obtain appropriate business and credit risk approvals. Decisions on lending transactions may be escalated to senior management or business unit governance committees if the assessment requires further review against the *E&S Framework* or other risk indicators. These escalation pathways support our front line bankers to make risk-based decisions that consider potential ESG issues.

In Business Banking, decisions on ESG risk assessment approvals may be escalated to senior management or the Business Banking Commitments Committee based on the customer's ESG risk profile. The Business Banking Commitments Committee membership includes the Business Banking Group Executive, designated Business Lead Executive General Managers and the General Manager Environment, Social & Governance. Matters escalated to the Commitments Committee include those subject to *E&S Framework* commitments or related to certain aspects of a customer's ESG risk.

Beginning in March, for corporate lending decisions in the Institutional Bank, where a transaction (excluding renewables) will impact one of our fossil fuel *glidepaths*, bankers are directed to have the lending impact modelled before lending transactions are reviewed by senior stakeholders within IB&M and our climate strategy team.

In 2023, we assessed 12,012 transactions. Sixty-three required escalation and noting at the ELT E&S Committee.

Assessing our corporate lending transactions in 2023

	Institutional Banking & Markets
Number of assessments conducted[1]	592
Number of assessments escalated and noted at ELT E&S Committee	12

	Business Banking
Number of assessments conducted	11,420
Number of assessments escalated to senior management	590
Number of assessments escalated and noted at ELT E&S Committee	51

For more information on how we make lending decisions see pages 76–77.

1 One corporate lending transaction may have multiple ESG risk assessments.

Productivity mapping tool

We use our productivity mapping tool to assess climate risks associated with agricultural production performance for approximately 55% of our Business Bank agriculture exposures, secured by farmland. The tool assesses grain, livestock and dairy portfolios and ranks the *physical risk* of postcode locations across three tiers of productivity (low, moderate or high) based on historical weather patterns and current environmental conditions. We have assessed that approximately 3% of our exposures are located in less productive regions. The tool has helped inform our risk appetite related to these areas of lower productivity, and supported our bankers to have deeper conversations with their customers about their long-term plans. By using this tool, in relative terms we have been able to grow our lending to the grain, livestock and dairy sectors without increasing our exposure to regions that are in less productive areas.

This year, we have continued our collaboration with *CSIRO* to consider the incorporation of forward-looking climate scenarios into our productivity mapping tool. This seeks to enhance our assessment of the risk of climate change based on the forward-looking capability that *CSIRO* have developed for us.

E&S Risk and Control Self-Assessments

Through our annual *RCSA* process, business and support units identify and assess the potential risks to achieving their business objectives. After the assessment of controls and mitigation strategies, the residual risk ratings are either risk accepted, or an issue may be raised in the Bank's risk system. This seeks to ensure appropriate controls and mitigating strategies are implemented to minimise the risk exposures to an acceptable level. Control improvement plans are monitored until the issue is closed.

In 2023, all relevant business and support units completed E&S *RCSA*s. This has promoted awareness of E&S risks across the business, increased transparency over E&S issues, and positioned us to better track our management of E&S risk as it evolves. In addition to this, we continue to identify and assess E&S risks as they relate to the management of non-financial risks through the various non-financial risk *RCSA*s.

The E&S *RCSA*s indicated higher inherent risk ratings in a number of areas arising from the potential for reputational impacts and longer term financial losses associated with climate change. Further progress has been made this year to mature the E&S risk management framework. The design of processes and controls to address any material E&S risk gaps is largely complete, and issues raised through the assessments are mainly focused on continuing to embed and improve the consistency of new E&S processes and controls to minimise these risks to the Bank.

Environmental risk in our supply chain

To help us achieve our operational targets and environmental goals, it is important for us to work with our suppliers to understand the climate change and *nature* impacts within our supply chain. This year, we updated our SRG tool to enhance our ability to assess supplier environmental practices against CBA policy and commitments. As part of this process we proactively reached out to suppliers within higher environmental risk industries to ask them about their climate and *nature* policies, commitments and emissions targets. We had 30 suppliers respond with 21 suppliers confirming they had commitments related to climate impact and carbon emissions management. Eighteen of our suppliers responded confirming they had commitments related to *nature*, ranging from waste and water reduction initiatives to assessment and minimisation of *biodiversity* impacts related to new construction projects. This process helped inform the development of a more detailed SRG risk assessment that was implemented in June.

The new SRG risk assessment will trigger for suppliers in high or very high environmental risk industries and will require suppliers to detail what they are doing in relation to climate and *nature*-related impacts. Questions within the risk assessment were designed to cover a number of key areas, including company policies, commitments and targets, assessment of impacts, data availability, reporting, relevant certifications, allegations and breaches. The results of the risk assessment and the information gathered will inform future supplier engagement or remediation activities.

We have also reviewed our procurement policies and procedures. Updates are being made to align and simplify the assessment of climate risk in tenders and contracts, as well as how we communicate our expectations via our Supplier Code of Conduct.

Supplier Code of Conduct is available at commbank.com.au/policies.

Our climate scenario analysis

We use climate scenario analysis to understand our exposure to strategic, financial and non-financial risks arising from climate change and how these risks may impact our decision making. This year, we refined and developed new insights and updated our view of scenarios.

The scenarios we use

We rely on credible, global climate scenarios to provide consistent inputs and assumptions in our climate scenario analysis. In assessing scenarios we consider whether they:

- present plausible, and appropriately severe outcomes
- are used by regulators and peer banks
- have data available at a detailed sector and geographic level.

We recognise that climate scenarios are constantly evolving and we may change our selection over time. For example, the Network for Greening the Financial System (*NGFS*) published an updated suite of scenarios this year. This year, we established a bi-annual process to review the selection of our climate scenarios.

We use *delayed transition* and *severe physical risk scenarios* when analysing *transition risk* and *physical risk*. We use credible, science-based 1.5°C aligned scenarios to set our sector-level *financed emissions* targets.

To read about the uncertainty and limitations of climate scenario analysis see pages 74–75.

	Delayed transition	1.5˚C	Severe physical risk
Description	Used to test our resilience to high *transition risk*, in a scenario of rapid and disorderly transition after 2030, with medium *physical risk*.	Used in our target setting process, in a scenario of early *transition risk* impact due to rapid *decarbonisation* of the economy in the next decade, and limited increase of current levels of *physical risk*.	Used to test our resilience to *physical risk*, in a scenario of severe temperature increase resulting in severe *physical risk*.
Global warming by 2100[1]	1.1˚C–2.6˚C	0.3˚C–1.7˚C	2.6˚C–4.8˚C
Cost of emissions by 2050	AU$567 per tonne CO_2-e	AU$250 per tonne CO_2-e	AU$9 per tonne CO_2-e
Transition scenarios	*NGFS* v3 Delayed Transition	*IEA NZE*	*NGFS* v3 Current Policies
Physical scenarios[2] **(Representative concentration pathway)**	*RCP* 4.5	*RCP* 2.6	*RCP* 8.5
Our transition risk rating	High	High	Low
Our physical risk rating	Medium	Low	High

1 Above pre-industrial levels, consistent with the scope of the *Paris Agreement*.
2 In line with the *IPCC*, we use the representative concentration pathway, or RCP, to describe the level of *GHG* concentration in the atmosphere in a given scenario. A higher RCP indicated greater *GHG* concentration, which is associated with greater temperature increases.

Network for Greening the Financial System third version

Transition risk scenarios should be updated over time, as factors such as the policy context, emissions trajectory, technological advances and economic outcomes evolve. The *NGFS* third version reflects the International Monetary Fund's latest World Economic Outlook, evolutions in renewable energy technology, and sovereign government climate commitments as pledged at COP26 in November 2021. The latest scenarios provide greater granularity on the impact of *acute* and *chronic physical risks*, and on industries exposed to *transition risk*. We internally refreshed previous transition risk analysis that used NGFS scenarios to the NGFS' third version, and have used this version in other analysis.

CSIRO

Methodologies and data used to underpin *physical risk* analysis are constantly evolving. This year, we partnered with *CSIRO* to explore ways to incorporate forward-looking climate data into our *physical risk* assessments in the agriculture sector. *CSIRO* assessed the significant climate variables that influence agricultural production, analysed how these measures interact to predict on-farm productivity, and then linked this to climate modelling to indicate how this productivity is likely to change into the future. The resulting index is being considered as a future looking indicator of credit risk, subject to further validation and stakeholder engagement.

Our approach

Our climate scenario analysis focuses on the long term (5–30 years) given the nature of climate risk. However, we have also conducted analysis over the short (<12 months) and medium (1–5 years) term horizons.

How we prioritise our scenario analysis

As the scope of our scenario analysis is broad, we prioritise our work based on the materiality of our lending portfolios, the climate-related risk types, our ability to conduct the analysis and whether or not we can take actions on the insights delivered.

Priority of our portfolios and risk types

	Acute physical risk				Chronic physical risk			
Scope	**Cyclone**	**Flood**	**Bushfire**	**Other**	**Sea level rise**	**Heat stress (productivity)**	**Other**	**Transition risk**
Australian home loans	✓	✓	✓		✓	✓		✓
Agriculture and forestry						✓[1]		✓
Other business lending	→	→	→			✓		✓
Own operations	✓	✓	✓					

✓ Completed[2] → Early exploration ○ Not yet prioritised

1 Australian agriculture only.
2 Analyses that have been completed may be refreshed in the future.

Refining our previous approaches and conducting new analysis

This year, we have tested the resilience of 89% and 45% of our lending portfolio to potential climate-related *transition* and *physical risks* respectively. We have assessed the level of climate risk in these portfolios via a range of methods summarised below.

Acute physical risk in Australian home loans See page 46.	Using the *severe physical risk scenario* and third party climate hazard data, we classified the level of exposure of our Australian home loans portfolio against three climate *perils* (cyclone, fire and flood) through to 2050. Changes to underlying hazard data (and to a lesser extent, movements in our portfolio) has resulted in $29 billion (4.6% of the Australian home loan portfolio) now being classified as high risk to one or more of these three climate perils.
Chronic physical risk in Australian home loans See page 46.	We analysed the potential impact of changes in heat stress on labour productivity in Australia using Australian Bureau of Statistics data and *ERA5* reanalysis data (*WBGT*), identifying minimal economic impacts through 2050. We also analysed the potential impact of sea level rises on regions of Australia exposed to erosion, based on a third-party dataset. This analysis indicated less than 0.3% of our Australian home loan portfolio is exposed to high sea level rise risk.
Chronic physical risk in agriculture	We collaborated with *CSIRO* to improve our modelling approach. This yielded a new index-based tool which highlights areas of high current productivity which may see material changes in outlook over the coming decade. We are in the process of evaluating this model to monitor portfolio risks, and identify areas of high impact, to assist in proactively working with customers to explore adaptation strategies.
Acute physical risk in our Australian branch network See page 47.	Using third party *acute physical risk* data, we assessed our branch network against three major acute risk *perils* of flood, fire and cyclone. Through this process, we have identified 32 branches in the highest risk rating category for one of these *perils*. For these branches, we have provided additional climate insights to embed into existing business resilience processes, focusing on safety for our customers and our people and minimising interruptions to our services.
Regional transition risk in Australian home loans	Using the *delayed transition scenario*, we modelled the deterioration in economic activity in regions whose economies are heavily reliant on fossil fuels over a 30-year time horizon and translated this into credit losses. These regions have more than 15% employment in coal mining, oil and gas extraction, fuel refining, or fossil-fuelled power generation. This year we improved our methodology by expanding from coal to the broader fossil fuel value chain by including oil and gas extraction, fuel refining and fossil-fuelled power generation, as well as increased sectoral and geographical granularity. Based on our analysis $16 billion (2.5% of the Australian home loans portfolio) has been rated at a high level of climate *transition risk*.
Transition risk: exposed sectors in lending business	Building on last year's approach to assessing sectoral *transition risk*, we now include a more granular breakdown of industry sub-sectors, including transport and manufacturing. *Transition risk* exposure within these sectors is determined using a scoring approach that considers the policy, technology and social considerations that may impact a sector under a low carbon *transition* scenario. The overall score, rated between one (low) to four (high), takes a conservative approach by assigning the highest sub-score across the three *transition risk* categories.

For methodology refer to pages 74–75.

The resilience of our portfolio

The table below identifies sectors within our portfolio which are exposed to elevated climate-related *physical* or *transition risk*. We have refined our climate risk table to reflect our improved understanding of the sectors most exposed to a low carbon *transition*. We recognise there may be additional sectors exposed to *transition risk* not included in the corresponding table. Where only a portion of a sector is identified as being exposed to these risks, the sub sectors will not total to the Group's exposure for the industry.

Our portfolio

	Jun 22		Jun 23			
Sectors[1]	**Total sector** TCE $bn	TCE % of total	**Total sector** TCE $bn	TCE % of total	Physical risk[2]	Transition risk[3]
Consumer	**748.5**	**55.9%**	**776.8**	**55.5%**		
Exposed to high physical risk[4]	29.4	2.2%	30.1	2.2%	●	
Exposed to high cyclone risk	10.9	0.8%	11.0	0.8%	●	
Exposed to high flood risk	16.2	1.2%	16.7	1.2%	●	
Exposed to high fire risk	1.7	0.1%	1.8	0.1%	●	
Exposed to sea level rise	1.5	0.1%	1.6	0.1%	●	
Exposed to high transition risk[4]	15.1	1.1%	16.0	1.1%		●
Agriculture & forestry	**27.7**	**2.1%**	**30.0**	**2.1%**		
Dairy	6.9	0.5%	7.4	0.5%	●	●
Livestock	11.1	0.8%	11.9	0.8%	●	●
Transport & storage	**24.8**	**1.9%**	**24.8**	**1.8%**		
Coal terminals[5]	0.5	0.0%	0.4	0.0%		●
LNG terminals[6]	0.4	0.0%	0.2	0.0%		●
Air transport	2.5	0.2%	2.6	0.2%		●
Oil & gas shipping (including FPSO)[7]	1.3	0.1%	0.4	0.0%		●
Rail transport	1.7	0.1%	1.8	0.1%		●
Road transport	3.8	0.3%	4.1	0.3%		●
Pipeline transport	0.7	0.1%	0.9	0.1%		●
Manufacturing	**16.8**	**1.3%**	**19.3**	**1.4%**		
Petroleum refining	0.2	0.0%	0.0	0.0%		●
Heavy industry (steel, aluminia, aluminium & cement)[8]	0.7	0.1%	1.0	0.1%		●
Chemicals manufacturing	0.1	0.0%	0.1	0.0%		●
Auto manufacturing	0.8	0.1%	1.2	0.1%		●
Retail trade	**13.6**	**1.0%**	**15.4**	**1.1%**		
Automotive fuel retailing	1.5	0.1%	1.6	0.1%		●
Wholesale trade	**13.1**	**1.0%**	**15.9**	**1.1%**		
Petroleum product wholesaling and marketing	1.2	0.1%	1.8	0.1%		●
Electricity, gas & water	**11.6**	**0.9%**	**13.7**	**1.0%**		
Non-renewable power generation[9]	1.3	0.1%	1.9	0.1%		●
Gas supply	0.8	0.1%	0.6	0.0%		●
Mining, oil & gas	**7.5**	**0.6%**	**7.3**	**0.5%**		
Upstream exploration and production	3.3	0.2%	2.4	0.2%		●
Thermal coal mining[8]	0.8	0.1%	0.9	0.1%		●
Metallurgical coal mining	0.0	0.0%	0.1	0.0%		●
Total elevated risk	**82.2**	**6.1%**	**85.4**	**6.1%**		
Total TCE (Group)	**1,337.9**		**1,400.1**			

1 Excluding consumer, sub-sectors are primarily based on a customer's *ANZSIC* classification, where this does not provide the granularity required additional classification is undertaken using customer knowledge.

2 Identification of *physical risk* in Australian residential mortgages was based on modelled loss rates (cyclone, flood and fire), property location and topography (sea level rise). For agriculture, ratings are based on modelled productivity impacts. *Physical risks* are likely to impact additional sectors not identified above, however, due to data limitations, *physical risk* is limited to the consumer and agriculture portfolios as the only sectors where assessments have occurred in 2022 or 2023.

3 For the consumer portfolio, we have classified the level of exposure to local economies heavily reliant on the fossil fuels value chain to determine those loans exposed to elevated *transition risk*. Sectoral *transition risk* ratings are based on assessments performed using our *transition risk* framework and includes sectors rated high or mid-high.

4 Of the consumer portfolio, only Australian residential mortgages were assessed for *physical* and *transition risks*. A number of exposures were exposed to multiple risks however are summarised independently in this report. The totals do not reflect double counting in these exposures.

5 Coal terminals include customers whose main business is the operation of ports and terminals that are principally used for transporting and exporting coal.

6 LNG terminals includes direct exposures to customers focused on LNG terminal activities only. It does not include customers with diversified operations which include LNG terminals in their business mix.

7 Includes tankers, Liquid Natural Gas and, Floating Production Storage and Offloading (FPSO) vessel categories. Note, the tanker vessel category includes exposure to oil tankers and chemical tankers. Further, this category includes exposure to transport equipment leasing to the oil and gas shipping industry as the *transition risk* is considered comparable.

8 Scope of sector aligned to customers captured in *glidepath* reporting. Diversified *glidepath* customers are reported based on *ANZSIC* classification.

9 Non-renewable power generation includes customers whose main business is power generation and where <90% of generation is sourced from renewables. To avoid volatility from customer classification changes, a rolling three-year average will be used to measure this 90% threshold.

Case study

Acute physical risk in Australian home loans

In addition to considering the frequency and severity of acute climate hazards, our climate assessment also considers non-climate factors such as loan-to-value ratios and under-insurance. We continue to develop our view of acute physical climate risk through exploring new data sets, improving our understanding of loss pathways and under-insurance implications.

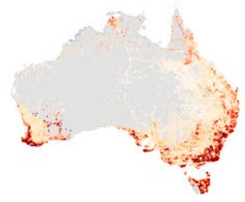
Cyclone

High risk exposure ($bn)	**11.0**
No. of properties (000s)	**32**

Flood

High risk exposure ($bn)	**16.7**
No. of properties (000s)	**39**

Fire



High risk exposure ($bn)	**1.8**
No. of properties (000s)	**4**

Case study

Chronic physical risk in Australian home loans: sea level rises

Source of risk: Warming of the ocean and melting of Arctic and Antarctic ice sheets have caused sea levels to rise, with the rate accelerating in recent decades. Rising sea levels can impact coastal properties from erosion and *inundation*. Many insurers do not include coverage for 'acts of the sea' in their policies. Without the protection of insurance, home owners may face increased financial risk as sea levels rise.

Analysis we completed: We used a third party data set to assess CBA home loans exposed to *coastal erosion* and *inundation*. Due to the complex and uncertain nature of sea level rise impacts, we also incorporated a range of risk views from other leading sources.

Insights from our analysis: Using a *severe physical risk scenario*, our preliminary analysis indicated less than 0.3% of our Australian home loan portfolio is exposed to high sea level rise risk, noting that this only considers direct exposure to buildings and excludes impacts to supporting infrastructure such as roads and utilities.

Actions we are taking: We will continue to monitor the financial impacts from sea level rise. Over time, we expect to improve our understanding of coastal risks to incorporate the impacts of *inundation*, and to better understand uncertainty associated with sea level rise estimates.

Case study

Understanding the resilience of our operations

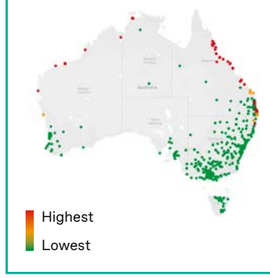
Source of risk: CBA has experienced natural disasters of varying degrees across our network, affecting our customers, people and communities. We have used our internal climate scenario analysis capability to review our branch network's exposure to *physical risk perils* under a range of scenarios.

Analysis we completed: We have assessed each branch across our CBA and Bankwest network against the major acute risk *perils* of flood, fire and cyclone to determine if any of our branches are high risk. High risk ratings are an indication of exposure to a higher frequency or intensity (or both) of climate *perils*.

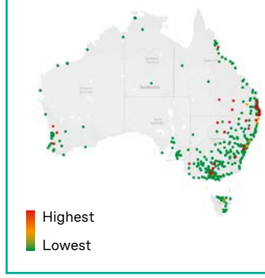
Insights from our analysis: Through this process, we have identified 32 branches in the highest risk rating category – 22 cyclone, eight flood and two fire.

Actions we are taking: We intend to use these results to enhance our preparedness and improve our business resilience to natural disasters. For those branches assessed as highly exposed, we are aiming to build these insights into business resilience processes. Our focus remains firstly, on the safety of our customers, people and communities, and minimising service interruptions.

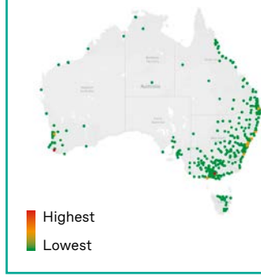
Cyclone



Flood



Fire



Understanding emerging risks: Natural capital and biodiversity

We recognise the importance of taking action to maintain, enhance and restore biodiversity.

Understanding natural capital and biodiversity risk

The *Kunming-Montreal Global Biodiversity Framework (GBF)* has focused international attention on the need to limit *biodiversity* loss by 2030 and to support natural ecosystems to recover by 2050. We have observed growing interest from our stakeholders to understand the Bank's impact and dependencies on *nature*.

For Australia, the challenge and opportunity is significant. As observed by the DCCEEW, over the last 200 years our country has suffered the largest documented decline in *biodiversity* of any continent. The leading drivers include clearing of native vegetation, the introduction of invasive species, and increasingly, climate change. Improving Australia's management of *natural capital* and protecting the economic activity that depends upon it is a priority under the Australian Government's Nature Positive Plan. We welcome the Australian Government's plan to consult with stakeholders on the draft legislation to reform national environmental laws.

Identifying priority sectors

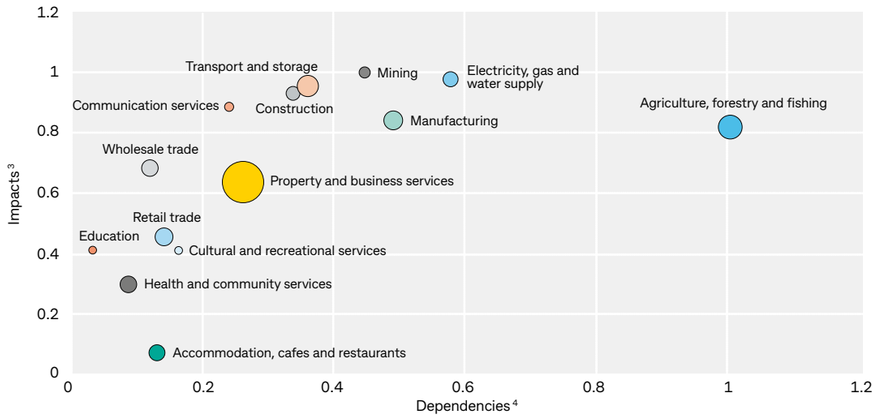
This year, we used *ENCORE*[1] to deepen our understanding of potential *nature*-related impacts and dependencies in our business and *corporate lending* portfolio.

Our analysis demonstrated that agriculture has the highest dependency on *nature* for its continued productivity. Mining had the highest overall impact, followed by electricity and utilities, manufacturing, transportation, and construction. The highest impact and dependency sectors – agriculture, forestry and fishing, and mining.

Agriculture and mining are our *natural capital* priority sectors due to their high dependency and impact, as well as their key role in Australia's net zero by 2050 transition. While not covered within the *ENCORE* analysis, as a bank we believe we have a role to play in understanding the impact and dependency of the built environment on *nature.* Initially we see this through our own operations and potentially in the future through our lending to commercial property and housing.

CBA's ENCORE impact and dependency analysis by sector[2]

Size of bubble represents the exposure



For more information on how we used ENCORE, see page 88.

1 Refer to page 96 for source.
2 Business and corporate TCE as at 30 June 2023. Sectors based on ANZSIC 1993 division. Excludes government administration and defence, finance and insurance, and personal and other services.
3 Impacts are changes in the state of *nature* which can be positive or negative.
4 Dependencies are aspects of ecosystem services that an organisation relies on to function.

Understanding nature-related issues within sectors

In our lending portfolio, *water use* is the primary *nature*-related impact for almost all sectors. Soil and water pollution, as well as solid waste were also prominent themes. Land use was identified as having very high impact across our *natural capital* priority sectors (agriculture, mining, and property and business services (as a proxy for the built environment)). Soil pollution along with water-related impacts and dependencies including water availability, *water use* and water pollution were either high or very high for these sectors. In addition climate-related issues such as flood and storm protection and climate regulation were identified as high or very high dependencies across the agriculture and mining sectors.

The analysis highlights *natural capital* nuances within sub-industries. For example, fisheries show a greater dependency on nursery habitats, while irrigated and arable cropping are associated with higher impacts on land-use and economic dependence on pollination. This analysis has helped inform the *natural capital* themes that are most relevant for each of these sectors and subindustries. We have updated the initial risk ratings for the *biodiversity*, pollution and water questions within the Corporate and Institutional pathway of our *ESG risk assessment tool* to reflect insights from our ENCORE analysis.

For more information on our *ESG risk assessment tool* see pages 76–77.

ENCORE analysis showing a subset of impacts and dependencies by sector[1]

Division	Dependencies[2]					Impacts[3]				
	Soil erosion	Water availability	Climate regulation	Flood and storm protection	Water quality	Water use	Soil pollution	Water pollution	Land use	Solid waste
Agriculture, forestry and fishing	VH	VH	VH	VH	VH	VH	H	H	VH	
Electricity, gas and water supply	H	VH	VH	VH	H	VH	H	H	VH	H
Mining	M	VH	H	H	H	VH	H	H	VH	H
Manufacturing	L	VH	M	M	M	VH	H	H	VH	H
Transport and storage	H	H	VH	H	M	H	H	H	H	H
Construction	M	M	H	H		H	H	M	VH	H
Communication services	M		H	VH	L	H	H	H	H	M
Property and business services	L	H		VL	L	H	H	H	VH	H
Wholesale trade	M		H	M		H	H	H		M
Retail trade	L	M				VH	H	H		M
Cultural and recreational services	L	M		M	L	H	H	H		M
Education	L					H	H	H		M
Health and community services	L	M					M	M		M
Accommodation, cafés and restaurants	L	M	M	M						M

◆ Very High (VH) ◆ High (H) ◆ Medium (M) ◆ Low (L) ◇ Very Low (VL) ◇ No impact or dependency

Future priorities

Our priorities include seeking to support our customers in working towards improved *nature* outcomes, using data and analytics to better understand our impacts and dependencies, and preparing for increased environmental reporting. As a bank with the majority of our activities in Australia and New Zealand, and a large number of retail and business customers, the barriers to reporting remain high due to data limitations, nascent methodologies and customer confidentiality considerations. We have supported a government *TNFD* pilot[4] and will continue to monitor the Australian Government's approach to setting *GBF* targets. We welcome the Nature Positive Plan's commitment to establish national environmental standards to improve environmental protections and guide decision making. We see the new Environment Protection Australia responsibilities for project approvals, compliance and enforcement as critical for setting the standards for how Australia manages its *natural capital* going forward.

In the interim, we will continue to explore ways to measure and assess our impacts and dependencies on *nature*, support markets and incentives to enable better outcomes for *nature* and continue to evolve our approach to managing our exposures to *nature*-related risk.

1 Excludes government administration and defence, finance and insurance, and personal and other services.
2 Dependencies are aspects of ecosystem services that an organisation relies on to function.
3 Impacts are changes in the state of *nature* which can be positive or negative.
4 CBA participated in a pilot study and provided feedback on the learnings and existing barriers to adopting and implementing the *TNFD* Framework in the Australian context. We acknowledge the Department of Climate Change, Energy, the Environment and Water for sponsoring the pilot study, which was facilitated by EY.

Managing and monitoring

We continue to build on our tools and processes to manage and monitor the potential impacts of climate change and *nature*-related impacts across our portfolio.

Risk Appetite Statement indicators

The Board approved *RAS* informs the boundaries of risk taking in achieving our strategic priorities. *RAS* indicators and thresholds help us determine whether we are within the risk appetite set by the Board, or whether action is required to lower our risk exposure.

Leveraging our climate scenario analysis results, we have embedded quantitative stranded asset *RAS* indicators across the two portfolios with high inherent risk exposure to climate *physical risk* (Retail) and *transition risk* (Institutional):

- Our home loan portfolio *RAS* indicator, measures the percentage of home loans with high climate *physical risk* exposure (flood, fire, and cyclone *peril* events) and is combined with lending metrics. This monitors home loans with the potential for higher credit risk due to lower ability to recover from extreme weather events.
- Our Institutional portfolio *RAS* indicator measures the percentage of the institutional lending portfolio exposed to customers with high residual climate *transition risk*.

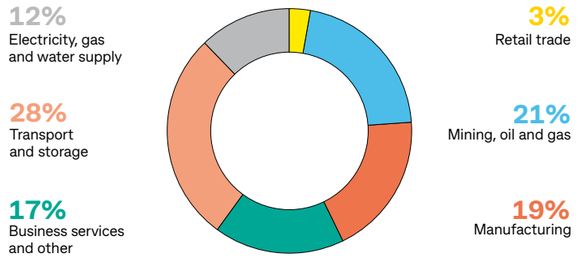
Our productivity mapping tool has also helped to inform a stranded asset *RAS* indicator for the agriculture business which measures the percentage of the portfolio located in postcodes at risk of lower productivity due to *physical* climate risk.

All three *RAS* indicators are currently within the thresholds set by the Board with no intervention required at this stage. We will continue to monitor these indicators quarterly.

Engaging with selected customers on their transition readiness

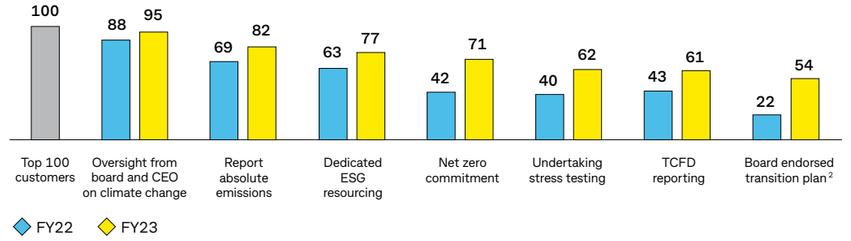
Many of our large highest emitting customers operate in *harder-to-abate* industries or are required to support Australia's energy transition. In 2023, we engaged 100 of our most carbon intensive customers across our Institutional Bank to form a better understanding of the *transition risks* and opportunities they face. Sixty-five customers from our 2022 assessment were again included in our top 100 analysis, with an additional 35 customers included in our 2023 assessment. Compared to 2022, we have seen a reduction in mining, oil, gas and shipping customers, with transport and storage, and other more carbon intensive sectors like manufacturing, added.

Top 100 customers by industry



More of our customers now have net zero by 2050 commitments and have set interim targets, with many aiming to reduce emissions consistent with limiting global warming to 1.5°C. We have also observed that many of our customers now have a board endorsed transition plan [1] and report their progress in line with the Task Force on Climate-related Financial Disclosures (TCFD). We recognise that our customers are at different stages of transitioning their businesses and we aim to continue working with our customers to understand their strategies and transition plans [1].

Customer engagement [2]



For more information on our *Transition Plan Framework* see page 77.

Managing regulatory change

The Bank monitors the regulatory landscape for changes that may impact its products and services. When regulations change, the Bank assesses the impact of the change and implements new or improved processes, systems and policies to meet the new obligations.

Human Rights of First Nations Stakeholders Grievance Process

CBA recognises that prioritising engagement with First Nations peoples, and developing positive two-way relationships built on trust and respect, is a foundational element of reconciliation. Recognising CBA did not have a dedicated grievance process to hear from our First Nations stakeholders regarding impacts on their human rights that relate to our business lending activities with a current or former customer, we committed to develop a First Nations grievance channel.

In line with our Reconciliation Action Plan commitments, this process has been supported by the Bank's Indigenous Advisory Council and Indigenous Leadership Team. It seeks to provide an avenue for First Nations stakeholders to raise directly and generate dialogue with CBA genuine concerns regarding human rights impacts connected with CBA's business lending activity to its Institutional and Business Banking *clients*. It is intended that this process assists in developing positive working relationships with First Nations stakeholders. First Nations stakeholders will be supported to access the process and we will continue to welcome feedback to ensure it is accessible, meets their needs and is culturally appropriate.

Our Human Rights of First Nations Stakeholders Grievance Process now provides a clear channel for First Nations stakeholders to raise grievances with us and for us to listen to those grievances. Through this process, we will consider our connection to a human rights impact and where appropriate consider options to resolve or otherwise address the grievance. We believe this process will allow reflection about our potential connection to a human rights impact from our business lending activities to *clients* and, in turn, support improvements to our policies and processes.

Human Rights of First Nations Stakeholders Grievance Process Framework is available at commbank.com.au/policies.

1 Transition plan follows the customer's definition of a transition plan.
2 Responses are provided by our customers.

Metrics and targets

We set targets and track progress related to our climate strategy.

Performance summary

The table below outlines our progress for the 2023 financial year against our targets and commitments.

			Progress				
	Metric	Target	FY21	FY22	FY23	Status	Reference
Australian housing	$kgCO_2$-e/m^2	FY30: 15.7	–	35.6	–	New	Pages 14–15
Power generation	$kgCO_2$/MWh	FY30: 105	187	170	–	Commenced	Pages 16–17
Heavy industry							
Steel	tCO_2-e/t-steel	FY30: 1.35	–	n/a	–	New	
Alumina	tCO_2-e/t-aluminium	FY30: 0.63	–	↓	–	New	Pages 18–19
Aluminium	tCO_2-e/t-aluminium	FY30: 5.26	–	↑	–	New	
Cement	tCO_2-e/t-cement	FY30: 0.55	–	↓	–	New	
Upstream oil extraction	% reduction vs FY20 baseline	FY30: ▼ 27%	-35%	-81%	–	Commenced	Pages 20–22
Upstream gas extraction	% reduction vs FY20 baseline	FY30: ▼ 17%	-30%	-76%	–	Commenced	Pages 20–22
Thermal coal mining	% reduction vs FY20 baseline	FY30: ▼ 100%	-25%	-75%	–	Commenced	Page 23
Business lending emissions intensity[1]	Customer Scope 1 and 2 $kgCO_2$-e/$ lent	Average decrease over time	0.10	0.09	–	Commenced	Page 55
Sustainability Funding Target	cumulative $ billion vs FY20	FY30: $70bn	–[2]	$30.6bn	$44.7bn	Commenced	Pages 56–57
Scope 1 and 2 operational emissions	% reduction vs FY20 baseline	FY25: -21% FY30: -42%	-48%	-68%	-64%	Commenced	Page 61
Scope 3 operational emissions	% reduction vs FY20 baseline	FY25: -12.5% FY30: -25%	-67%	-69%	-29%	Commenced	Page 61
RE100 – renewable electricity	% of global operations	FY30: 100%	100% (AU)	100% (Group)[3]	Pending in arrears[4]	Commenced	Page 59
On-site renewable energy[5]	kW	FY20: 1,250 FY25: 2,000	1,705	1,740	1,597	Commenced	
Carbon neutral certification for our residual emissions	% of global operations	FY22: 100%	100% (Group)	100% (Group)	Pending certification in arrears	Achieved	Page 59

Achieved · Commenced · New

More than 10% above the reference scenario · Between 0 and 10% above the reference scenario · Below the reference scenario

For reporting boundaries refer to page 63.

More information on our environmental performance is available at commbank.com.au/sustainabilityreporting

1 Comparative information has been restated to conform to presentation in the current period.
2 In 2021, we replaced our Low Carbon Funding Target ($15 billion by 2025) with a broader Sustainability Funding Target. In FY21, we achieved $6.4 billion in funding against our old target.
3 As at 30 June 2022, ASB purchased the equivalent of 75% of renewable electricity for 9 months up to March 2022 with the remaining 25% equivalent purchased in August 2022, excluding Scope 3 electricity consumption.
4 Pending acquittal of *RECs* and RE100 certification in arrears. ASB offsite ATMs were reclassified as Scope 2 in FY23. *RECs* could not be purchased due to metering limitations.
5 Given the changes in our Australian footprint nationally and the reduced average length of tenure, there is limited opportunity for additional on-site solar installation within our property portfolio. The majority of our renewable electricity is sourced through our retail Power Purchase Agreement and the purchase of bundled Large-Scale Generation Certificates.

Financed emissions

To help us achieve our *financed emissions* targets and provide transparency to our stakeholders, we measure and report our *financed emissions* aligned to the *PCAF* Standard.

Progress on our financed emissions

Our calculations cover 94% of our *in-scope drawn lending* exposure. This year we included New Zealand's housing sector emissions and expanded the scope of financial products to include finance leases and hire purchase and equipment loans. We also updated our approach for Australian commercial property to align to the *PCAF* standard. In addition, we enhanced our *financed emissions* calculation and our internal capabilities. As part of this uplift we have expanded the coverage of our disclosure, purchased emissions and financial data from Bloomberg and adopted *PCAF*'s updated emissions factor database. We have restated the prior period to reflect these changes. We estimate our 2022 absolute *financed emissions* of our lending portfolio at 22.3 $MtCO_2$-e, mainly attributable to our exposures in agriculture, mining, oil, gas and housing. This represents a reduction of 13% compared to 2021, driven by changes in our lending exposure, portfolio mix and estimated customer emissions.

Refer to page 63 for reporting boundaries and pages 64–73 for our methodology and calculations for *financed emissions*, including exclusions.

Emissions changes ▼ 0.1 $MtCO_2$-e
Changes in estimated customer emissions contributed to a decrease in *financed emissions* mainly due to the effect of grid *decarbonisation* on Australian housing; partly offset by growth in estimated customer emissions due to increased production in the Australian agriculture sector.

Portfolio changes ▼ 3.1 $MtCO_2$-e
Changes to our portfolio and drawn lending exposure contributed to a decrease in *financed emissions*. This was driven by decreased drawn lending to thermal coal mining and upstream oil and gas extraction sectors; partly offset by increased drawn lending to some emissions intensive sectors including Australian agriculture and other manufacturing. Overall *emissions intensity* of business lending continued to decrease from 0.10 to 0.09 (customer Scope 1 and 2 $kgCO_2$-e/$ lent).

Emissions data, calculation methodologies and disclosure standards continue to evolve rapidly. We continue to assess the relevance of methodological updates and focus our efforts on improving our coverage and *PCAF* data quality score, particularly in sectors where we have or expect to set sector-level *financed emissions* targets.

Financed emissions

			Financed emissions						Financed emissions				Sector-level targets		
			Absolute emissions						Data quality		Metrics		Progress		
Sector	FY21 In-scope drawn lending $bn[1,2,3]	FY22 In-scope drawn lending $bn[1,2,3]	FY21 Scope 1 & 2 ($MtCO_2$-e)[2]	FY21 Scope 3 ($MtCO_2$-e)[2,7]	Total FY21 ($MtCO_2$-e)[2]	FY22 Scope 1 & 2 ($MtCO_2$-e)[2]	FY22 Scope 3 ($MtCO_2$-e)[2,7]	Total FY22 ($MtCO_2$-e)[2]	FY21 PCAF Score Scope 1 & 2 (Scope 3)	FY22 PCAF Score Scope 1 & 2 (Scope 3)	FY21 Scope 1 & 2 ($kgCO_2$-e/$ lent)	FY22 Scope 1 & 2 ($kgCO_2$-e/$ lent)	2022	2030	Reference scenario
Housing															
Australian housing	498.0	535.0	4.7	–	**4.7**	4.3	–	**4.3**	4.3	4.3	0.01	0.01	35.6 $kgCO_2$-e/m^2	15.7 $kgCO_2$-e/m^2	*SBTi*
New Zealand housing	60.5	62.7	0.1	–	**0.1**	0.1	–	**0.1**	4.1	4.1	<0.01	<0.01			
Commercial property															
Australian commercial property[4]	50.2	53.8	1.6	–	**1.6**	1.3	–	**1.3**	5.0	5.0	0.03	0.02			
Business lending															
Agriculture & forestry															
Australian agriculture[5]	10.2	12.6	2.5	–	**2.5**	3.0	–	**3.0**	3.6	3.5	0.24	0.24			
New Zealand agriculture	9.6	9.2	2.7	–	**2.7**	2.6	–	**2.6**	5.0	5.0	0.28	0.28			
Other agriculture & forestry	2.0	2.0	0.3	–	**0.3**	0.3	–	**0.3**	4.7	4.8	0.14	0.14			
Mining, oil & gas															
Thermal coal mining[6]	0.1	<0.1	<0.1	0.9	**0.9**	<0.1	0.3	**0.3**	3.0 (3.0)	1.5 (3.0)	0.24	0.13	-75%	-100% vs baseline	*IEA NZE*
Upstream oil extraction[6]	1.8	0.8	0.1	1.6	**1.7**	<0.1	0.4	**0.5**	2.3 (2.8)	2.0 (2.5)	0.17	0.14	-81%	-27% vs baseline	*IEA NZE*
Upstream gas extraction[6]			0.2	2.0	**2.3**	0.1	0.7	**0.8**					-76%	-17% vs baseline	*IEA NZE*
Other mining, oil & gas	1.8	1.6	0.9	–	**0.9**	0.7	–	**0.7**	3.3	3.3	0.49	0.46			
Electricity, gas & water supply															
Power generation[5,6]	3.4	3.8	0.9	–	**0.9**	0.8	–	**0.8**	2.5	2.0	0.27	0.21	170 $kgCO_2$/MWh	105 $kgCO_2$/MWh	*IEA NZE*
Other utilities and services	2.6	2.3	0.3	–	**0.3**	0.3	–	**0.3**	4.6	4.7	0.11	0.14			
Manufacturing															
Heavy industry	0.1	0.2	0.3	1.0	**1.3**	0.4	1.1	**1.5**	2.0 (4.8)	1.5 (3.6)	2.97	1.87	Steel: n/a Alumina: ↓ Aluminium: ↑ Cement: ↓	1.35 tCO_2-e/t-steel; 0.63 tCO_2-e/t-aluminium; 5.26 tCO_2-e/t-aluminium; 0.55 tCO_2-e/t-cement	*SBTi* *MPP Oceania* *MPP Oceania* *SBTi*
Other manufacturing	8.5	9.9	1.2	–	**1.2**	1.5	–	**1.5**	4.4	4.4	0.15	0.15			
Transport & storage															
Transport	6.5	7.1	1.5	–	**1.5**	1.7	–	**1.7**	4.2	4.3	0.23	0.23			
Other transport & storage	9.5	8.5	1.0	–	**1.0**	0.6	–	**0.6**	4.1	4.0	0.11	0.07			
Other business lending[8]	53.4	63.2	1.6	–	**1.6**	2.2	–	**2.2**	4.7	4.6	0.03	0.03			
In-scope portfolio assessed	**718.3**	**772.7**	**20.0**	**5.5**	**25.5**	**19.9**	**2.4**	**22.3**	**4.3 (2.9)**	**4.3 (2.7)**	**0.03**	**0.03**			

1 In-scope portfolio excludes exposures in the finance and insurance, and government administration and defence *ANZSIC*s. Portfolios not assessed include consumer finance and offshore commercial property (FY21: $52.2 billion; FY22: $52.1 billion).
2 Total *in-scope drawn lending* portfolio and absolute emissions may not cast due to rounding.
3 Scope of sector-aligned to customers captured in sector-level *financed emissions* target reporting. Diversified customers are reported based on *ANZSIC* classification.
4 Includes secured and unsecured loans, refer to pages 64–73 for more information on our methodology.
5 *Absolute emissions* for Australian agriculture and power generation includes Scope 1 only, for more details on our methodology refer to pages 64–73.
6 Absolute emissions for thermal coal mining, upstream oil and gas extraction and power generation are CO_2 only (or CO_2-e subject to data limitations).
7 "Grey box" indicates Scope 3 is not available as it is not yet measured in our financed emissions calculations. We adopt *PCAF*'s prescribed phase-in approach as it stood when CBA signed up to *PCAF* and where adequate data is available, and have measured Scope 3 for thermal coal mining, upstream oil and gas extraction and *heavy industry*.
8 'Other business lending' includes all other in-scope business lending exposures not reflected elsewhere.

↑ More than 10% above the reference scenario — Between 0 and 10% above the reference scenario ↓ Below the reference scenario

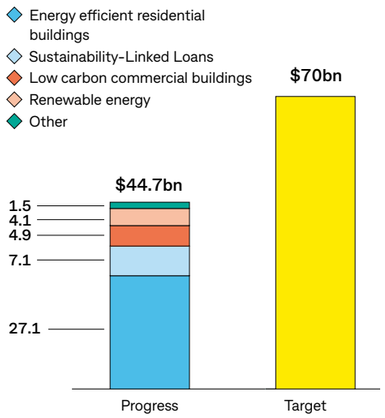
Sustainability Funding Target

Tracking towards our Sustainability Funding Target

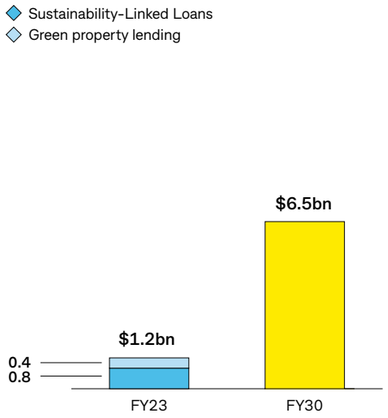
Our Sustainability Funding Target (SFT) of $70 billion in cumulative funding by 2030 helps us as we seek to support sustainable industries and asset types. As of 30 June 2023, we have provided $44.7 billion in cumulative funding towards our target.

ASB separately tracks and measures the funding they provide towards their SFT, which seeks to support the climate transition of the New Zealand economy. ASB's Sustainability Funding Target is to provide NZ$6.5 billion in cumulative committed lending by 2030 against the 2022 base year. In 2023, ASB provided a cumulative NZ$1.2 billion in funding against their target.

CBA Sustainability Funding Target



ASB Sustainability Funding Target (NZ$)



Note: graphs are not to scale.

Supporting our customers with ambitious goals

CBA supported North Queensland Airport with a *Sustainability-Linked Loan* that included targets on emissions, *biodiversity* and a partnership with First Nations peoples. The loan incentivises North Queensland Airport to improve the habitat around them for three threatened species. The Dawul Wuru Aboriginal Corporation's Yirrganydji Land and Sea Ranger program will support North Queensland Airport in delivering against the loan's *biodiversity* target by incorporating the skills and knowledge of First Nations peoples. The *Sustainability-Linked Loan*'s other targets include commitments on reducing emissions and a defined percentage of Aboriginal or Torres Strait Islander employees.

Helping our farmers regenerate their lands

The McDonald family have run a successful beef on dairy operation for over 10 years. CBA was able to support the McDonalds with an Agri Green Loan to fund a multi-species pasture renovation program. The program is expected to help restore the soil quality on their recently purchased farm, and aims to make their business more sustainable for the long-term. By adopting regenerative farming practices, the McDonalds have also significantly reduced their use of sprays and fertilisers, opting to manufacture their own organic compost.

> We're not just committed to creating a more profitable and productive farm, we are trying to create a better environment, healthier food, and leave something better for the future."
>
> **Mark McDonald**
> Beef on dairy farmer
> Gippsland, Victoria

Contribution to CBA Sustainability Funding Target by asset class

We consider and draw from evolving industry frameworks and market practices to help us determine what funding is eligible for inclusion in our target. For example, the ongoing development of an Australian Sustainable Finance Taxonomy by ASFI and ongoing revisions to the Climate Bonds Initiative eligibility criteria. This year, we introduced the land and agriculture asset class which is intended to support the financing of more sustainable agriculture assets or practices. We have also refined our eligibility criteria for energy efficient residential buildings[1] to capture construction assets with a progressive drawdown. We will continue to review our eligibility criteria as market practices evolve and disclose any changes in the same reporting period they are made.

Asset class ($bn)	30 June 2020 balance of lending	New and incremental financing since 1 July 2020	Of which: FY23 contributions[2]
Energy efficient residential buildings[1]	24.1	27.1	7.6
Sustainability-Linked Loans	0.7	7.1	2.3
Low carbon commercial buildings	4.5	4.9	1.7
Renewable energy	2.9	4.1	1.6
Social assets	0.2	1.0	0.6
Low carbon transport	1.0	0.3	0.1
Pollution/waste management	0.1	0.0	–
Energy efficiency	0.0	0.2	0.2
Land and agriculture	0.0	0.0	0.0
Total	**33.5**	**44.7**	**14.1**

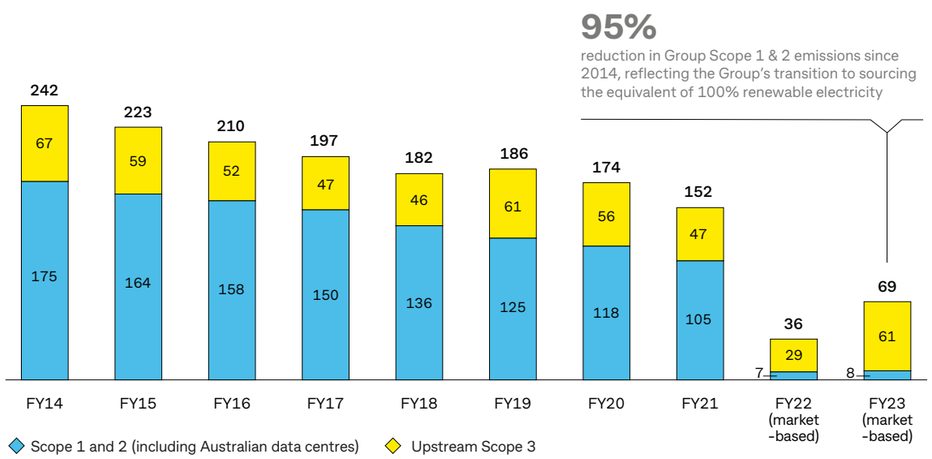
For more information on our Sustainability Funding Target refer to pages 78–80.

1 Green residential buildings renamed as energy efficient residential buildings following the change in eligibility criteria. 30 June 2020 balance of lending presented, or contributions for prior reporting periods, have not been restated to reflect updated eligibility criteria.
2 New and incremental financing since 1 July 2022 has been included in the scope of PwC's limited assurance engagement.

Managing our operational emissions

We have made significant progress on reducing the impacts of our operational footprint with a 95% reduction in our Scope 1 and 2 emissions compared to 2014. Since then, we have been expanding the scope of our reporting to include new categories. This year the increase in our Scope 3 emissions is primarily attributable to increased emissions from business travel, as operating conditions normalised post-COVID-19; and the inclusion of new Scope 3 emissions categories, such as employees commuting to work.

Our operational emissions before carbon offsets ('000s tCO_2-e) [1]



For reporting boundaries refer to page 63.

Efficiency savings in our data centres

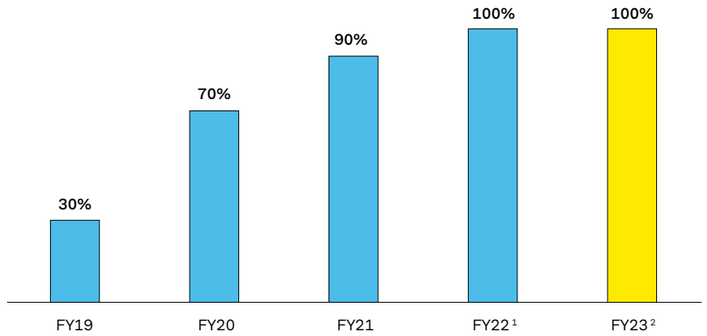
The Bank's core technology platforms are hosted from two data centres, which consume approximately 37% of the Group's electricity needs. Last year we completed the infrastructure upgrade of our Greater Western Sydney data centre using strategic sourcing and retiring legacy infrastructure. This has supported the reduction of the data centre's electricity usage by 25% between 2019 and 2023. We will continue to target energy efficiency gains through strategic sourcing, technology and site automation.

1 From FY14 to FY19, CBA data centres were deemed as non-operational control (Scope 3) and reclassified as operational control (Scope 1 and 2) from FY20. Comparison of FY14 location-based reporting to FY23 market-based reporting reflects the benefit of the equivalent of using 100% renewable electricity for our operations. Included emissions from Australian data centres. For detailed definitions, including how the operational emissions targets differ from the emissions reported in the sustainability performance metrics on pages 40–41 of the 2023 Annual Report, see the reconciliation on page 85 and the Group operational emissions methodology on pages 81–85.

Reducing our operational impact

Group-wide, we now purchase the equivalent of 100% renewable electricity for all our operations through *Renewable Energy Certificates* (RECs). Our Australian operations have been sourcing the equivalent of 100% renewable electricity since January 2020. In 2021 we extended this to other overseas operations followed by ASB in New Zealand in 2022.

Group renewable energy progress



Purchasing the equivalent of 100% renewable electricity is only one part of our *operational emissions* strategy. We also look for ways to increase the energy efficiency of our offices, branches and data centres; make the most of our occupancy of space; and consider sustainability metrics as a key driver when selecting new premises.

We are trialling innovative approaches like rolling out the *Internet of Things* across our branch network to monitor and remotely control our electricity usage. For example, during the National Day of Mourning public holiday, the flexibility of our systems to respond to an unplanned event, enabled us to remotely shut down air conditioning and lighting across our portfolio.

Given our shift to renewable electricity, our fleet emissions are now the largest emissions category within our Scope 1 and 2 reduction target. While we have seen a slight increase in fleet emissions from the previous year, we are tracking at a 36% reduction against our 2020 baseline. CBA's Australian operations and ASB continue to focus on transitioning our fleet to hybrid and electric vehicles.

Managing our residual emissions

We recognise there are challenges in transitioning *harder-to-abate* sectors to low carbon alternatives. Our *operational emissions* strategy includes purchasing carbon credits to offset residual emissions to achieve our carbon neutral commitments. In Australia and our other overseas operations, we have maintained our carbon neutral certification under the *Climate Active* Carbon Neutral Standard for Organisations, purchasing *ACCUs* from Indigenous Savannah burning projects to offset residual emissions. In ASB, we purchase offsets from New Zealand carbon removal projects supporting native forest regeneration. ASB maintains a *net carbonzero certification* through *Toitū Envirocare*. Our certifications, including details on our boundary inclusions for Scope 1, 2 and selected Scope 3 emissions are available on the *Climate Active* and *Toitū* websites.

We do not have plans to purchase carbon credits to achieve our sector-level targets in *financed emissions*. However, we acknowledge that some of our customers are subject to regulatory regimes that require them to use carbon credits, while others are voluntarily using credits to offset their emissions as part of their *decarbonisation* strategies.

1 As at 30 June 2022, ASB purchased the equivalent of 75% of renewable electricity for nine months up to March 2022 with the remaining 25% equivalent purchased in August 2022, excluding Scope 3 electricity consumption.
2 Pending acquisition and acquittal of *RECs* and RE100 and certification in arrears. ASB offsite ATMs were reclassified as Scope 2 in FY23. *RECs* could not be purchased due to metering limitations.

Reducing embodied carbon in our workplaces

Following the 30% reduction in *embodied carbon* compared to our baseline fit-out for our Commonwealth Bank Place head office, we have extended our focus to a review of the embodied carbon in our standard retail branch design. Our aim is to identify opportunities and implement measures to reduce *embodied carbon* in our fit-outs. As part of this analysis, we are also seeking to understand how to minimise the impact of these fit-outs on *nature* and *biodiversity*.

Addressing the challenges of measuring our supply chain emissions

This year, we updated our reporting of selected Scope 3 emissions within our Annual Report for greater transparency, mapped Scope 3 emissions to the Greenhouse Gas Protocol categories, and included emissions from employees commuting to work for our Australian operations.

Next year, we intend to align our Scope 3 operational emissions target to align with limiting global warming to 1.5°C (for all Scope 3 categories included within our target, except for air travel emissions). As the aviation industry is a *harder-to-abate sector*, we will align with sector guidance and maintain a well-below 2˚C reduction trajectory for our air travel emissions. Air travel will be challenging given the sector is reliant on alternative fuel sources to lower emissions, and short-term reductions to the Bank's travel emissions can only be achieved through less flying. In 2024, we intend to report against an updated baseline and Scope 3 *operational emissions* target.

As we expand our efforts across broader and more data challenging Scope 3 categories, our focus is to collaborate with our supply chain and build capability within our procurement team.

We engaged with key members of our supply chain network to understand our material Scope 3 *operational emissions*. We assessed our supplier's approach to tracking and managing their own emissions to understand whether they could provide us with quality emissions data for the goods and services we procure. We have also been increasing capability within our procurement team via an E&S speaker series covering climate and *nature* as well as offering E&S e-learning modules. This work facilitates the development of our Scope 3 roadmap, which prioritises our focus for 2024 and beyond.

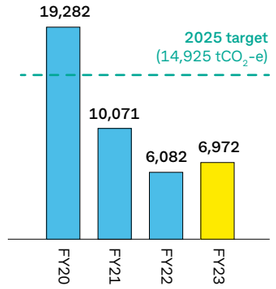
Progress on our operational reduction targets

As we shift into more normal operating conditions post the impact of COVID-19, we have been monitoring the increase in our emissions profile and working to provide greater visibility to track progress and influence decisions in line with our targets.

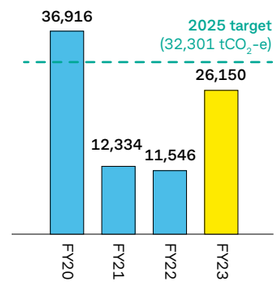
For a reconciliation of our *Scope 1 & 2* and *Scope 3 operational emissions* reported in our Annual Report and those within our reduction targets, see page 65.

	Scope 1 & 2 operational emissions	Scope 3 operational emissions
Our targets	**2020 baseline[1]: 19,282 tCO_2-e** **Reduction by 21% by 2025** **Reduction by 42% by 2030**	**2020 baseline[2]: 36,916 tCO_2-e** **Reduction by 12.5% by 2025** **Reduction by 25% by 2030**
Our progress	In 2023 we reduced our Scope 1 and 2 emissions by 64% from our baseline, against our 2025 target of 21%. We have achieved this by: • Investing in smart technologies and practices, to increase monitoring capabilities. • Building branches to a 5 Star Green Star certified design. • Maintaining a minimum 5 Star Green Star and 4.6 average *NABERS* Energy – Office Tenancies rating across commercial buildings. • Transitioning 33% of our fleet to hybrid vehicles to date, with 111 *EVs* ordered in 2023. ASB has transitioned 28% of its fleet cumulatively, including 44 *EVs*.	In 2023 we reduced our Scope 3 emissions by 29% from our baseline, against our 2025 target of 12.5%. *Operational emissions* are rebounding following COVID-19, and some of our key actions to manage this include: • Implementing a global travel management platform to centrally manage our Group travel emissions. • Monitoring air travel and working to provide greater visibility of emissions within the business. • Trialling Artificial Intelligence technology to drive employee awareness of proper waste management. • Recycling of water for re-use in our registered office, Commonwealth Bank Place South. • Trialling smart water meters to measure and monitor water consumption in our major commercial offices.
Focus areas	Fleet now represents 83% of our remaining Scope 1 emissions. We continue to focus on transitioning our fleet to hybrid vehicles and moving to *EVs* over time.	Air travel now represents 74% of our Scope 3 target. We are investigating opportunities to reduce our impact, including increased business visibility of travel impacts and trialling internal carbon budgets.

Scope 1 and 2 operational emissions
Performance against target (tCO_2-e)



Scope 3 operational emissions
Performance against target (tCO_2-e)



1 Scope 1 and 2 emissions baseline updated reflecting change in *emission factor* sources and incorporating data improvements for New Zealand operations.
2 Business travel emissions baseline adjusted to FY19 values to normalise for the impacts of the COVID-19 pandemic.

Appendix

This section describes the calculations, methodologies, assumptions and key references used in the preparation of this report.

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PwC has provided limited assurance in respect of our *financed emissions* performance (Australian housing, power generation, *heavy industry*, upstream oil and gas extraction and thermal coal mining) and the CBA Sustainability Funding Target. A copy of PwC's Limited Assurance Report is available at the end of this report on pages 98–101.

Our reporting boundaries

The below table outlines the reporting boundaries for our metrics. This is used for identifying data and/or exposures to be considered for inclusion in each metric. Inclusion within the boundary does not imply that they are in any given period. For more information on each metric please refer to the relevant section.

Metric	CBA	BW	ASB	PTBC
Sector-level targets				
Australian housing	✓	✓		
Power generation	✓	✓	✓	
Heavy industry	✓	✓	✓	
Upstream oil and gas extraction	✓	✓	✓	
Thermal coal mining	✓	✓	✓	
Financed emissions [1]	✓	✓	✓	
CBA Sustainability Funding Target	✓	✓		
ASB Sustainability Funding Target [2]			✓	
Climate scenario analysis	✓	✓		
Operational emissions	✓	✓	✓	✓

1 See our *financed emissions* methodology on pages 64–73 for further details on the scope of the calculation.
2 ASB's target and reporting tracked separately to CBA's $70 billion Sustainability Funding Target.

Financed emissions methodology

Our methodology for financed emissions

This year, we continued to develop and improve internal capabilities to calculate our *financed emissions* to support our ability to report on and deliver against our sector-level *financed emissions* targets. This included entering an agreement with Bloomberg to provide trusted emissions and financial data. During the year, *PCAF* published updated *emissions factors*. We adopted these updated factors in this year's calculations.

In addition, we expanded the coverage of our *financed emissions* disclosure to cover finance leases and hire purchase and equipment loans along with ASB's housing portfolio, and updated our approach for Australian commercial property to align to the *PCAF* Standard. We also introduced estimates of our customers' Scope 3 emissions for *heavy industry* that were not covered in our 2022 Climate Report.

The expanded scope, and adoption of data enhancements published by *PCAF*, have led to material changes in *financed emissions* reported for some sectors, such as manufacturing and mining. We have restated our 2021 *financed emissions* to allow comparison with the previous period.

The scope of our financed emissions calculations

The below table summarises the key methodological decisions that underpin our *financed emissions* methodology.

Methodology decision	CBA's choice
Scope – financial products and services	Lending products as well as finance leases and hire purchase and equipment loans. The in-scope portfolio excludes finance and insurance, and government administration and defence. Portfolios not assessed include consumer finance and offshore commercial property.
Scope – PCAF asset classes	Business loans and unlisted equity, residential mortgages, commercial real estate and project finance.
Scope – customer emissions	Customer Scope 1 and 2 emissions[1] for all sectors in-scope. Customer Scope 3 emissions for upstream oil and gas extraction, thermal coal mining and *heavy industry*.
Measurement – attribution	For business loans and project finance, the attribution factor numerator is drawn lending and the attribution factor denominator is Enterprise Value (EV) or Enterprise Value Including Cash (EVIC). For housing, the attribution factor is LVR, which is the outstanding amount divided by the value at origination. For Australian commercial property, the attribution factor is outstanding amount divided by property value.
Measurement – customer emissions	Following the *PCAF* data hierarchy, we prioritise the use of customer-level emissions data, followed by activity and economic estimation. For our business lending portfolio, we use reputable third party data providers to increase our coverage of customer emissions data. This includes Bloomberg, Australian Government Clean Energy Regulator National Greenhouse and Energy Reporting Scheme (NGERs) and United States Energy Information Administration (US EIA). For customers in our sector-level *financed emissions* targets, we also conduct primary research for customer emissions data.
Reporting period	*Financed emissions* lag behind our Climate Report by one year given customer reporting cadences. Our 2023 Climate Report presents *financed emissions* as of 30 June 2021 and 30 June 2022. When collecting customer emissions, financial or activity data, we use the reported information closest to but prior to the reporting period date.
Baseline year	Our baseline for *financed emissions* is 30 June 2020 (FY20). In accordance with NZBA requirements, our sector-level targets may have different baseline years, based on sector specific considerations and when we published them. The table on pages 72–73 outlines the baseline year for our sector-level targets.

1 Absolute emissions for Australian agriculture and power generation includes Scope 1 only.

Scope – financial products and services

We continue to calculate the *financed emissions* of our business lending portfolio (including project finance), Australian commercial real estate and housing. This year, we expanded our definition of lending to include finance leases, hire purchase and equipment loans, and corporate asset finance (including motor vehicles).

Consumer lending (excluding home loans), finance and insurance, and government lending is not included in the scope of our *financed emissions* due to limited data and methodology maturity.

Over the period, we observed developments in *financed emissions* frameworks including the publication of the second edition of *PCAF*'s Global GHG Accounting and Reporting Standard, which includes a new methodology for the sovereign debt asset class, a draft methodology for facilitated emissions and an approach for insurance-associated emissions. At this stage, we do not estimate emissions for sovereign debt due to the concentration of our exposure in Australia. In addition, the *PCAF* sovereign debt asset class does not currently cover exposure to sub-sovereign and municipal counterparties.

Given *PCAF*'s Standard for facilitated emissions has not been finalised, we have not estimated facilitated emissions this year. We do not calculate insurance-associated emissions, as they are not relevant to our current business operations.

We continue to assess the relevance of these and other methodological updates.

Scope – customer emissions

In general, we calculate our *financed emissions* using estimates of customers' Scope 1 and 2 emissions[1]. We recognise the significance of our customers' Scope 3 emissions and we aim to adopt *PCAF*'s prescribed phase-in approach as it stood when CBA signed up to *PCAF* and where adequate data is available. We consider the availability of data and methodologies on a sector-by-sector basis[2]. This year, *PCAF*'s updated standard brought forward the schedule for some sectors by one year, which now requires Scope 3 emissions be included for customers in oil and gas, mining, transportation, construction, buildings, materials and industrial activities on a comply or explain basis. This year we have included Scope 3 emissions for our thermal coal mining, upstream oil and gas extraction and *heavy industry* portfolios, reflecting a relatively high coverage of customer reported activity data or Scope 3 emissions across these sectors. For more information on Scope 3 measurement please see pages 70–71. In line with the *PCAF* Standard, when we refer to our *financed emissions* this is absolute emissions and does not include our customers' use of offsets, or customers' avoided emissions or emissions removal.

Limitations with diversified companies and data availability

To estimate our *financed emissions*, we generally allocate each customer to a specific sector. Where *emissions intensity* multipliers are used, we calculate the emissions for that customer based on their allocated sector. Accordingly, if a customer is diversified across business activities, the estimate of their emissions may be an under- or over-statement of *financed emissions* at the sector-level.

Financed emissions calculations use point-in-time financial data and also use emissions data reflecting a 12-month period. There can be lags in customer emissions data, which impacts timing alignment with financial data.

1 Absolute emissions for Australian agriculture and power generation includes Scope 1 only.
2 The *PCAF* Standard provides a set of NACE codes for identification of these sectors. NACE is the abbreviation for the Statistical Classification of Economic Activities in the European Community.

Our emissions measurement approach

Estimating emissions for business lending

For the business lending portfolio (including project finance), we follow the *PCAF* business loans data hierarchy. This approach enables the assignment of a data quality score from one to five (highest to lowest) which accounts for the varying levels of estimations and uncertainty in a customer's emissions. The table below outlines the options and formulas applied for any sectors where the measurement framework applied is *PCAF* business loans.

Refer to the sector-level sections on pages 70–71 for more information, including specific *emissions factors* applied.

Data quality score	Option	Formula	Sectors where method is applied
1	Customer emissions data – verified [1]	$\frac{\textit{Outstanding amount}}{\textit{Company EV/EVIC}^{2}} \times \textit{Customer emissions}$	All business lending sectors
2	Customer emissions data – unverified	$\frac{\textit{Outstanding amount}}{\textit{Company EV/EVIC}^{2}} \times \textit{Customer emissions}$	
3	Customer activity-based estimation	$\frac{\textit{Outstanding amount}}{\textit{Company EV/EVIC}^{2}} \times \textit{Customer emissions} \times \textit{Activity emissions factor}$	Australian agriculture, thermal coal mining, upstream oil and gas extraction, and power generation sectors
4	Customer revenue estimation	$\frac{\textit{Outstanding amount}}{\textit{Company EV/EVIC}^{2}} \times \textit{Customer revenue} \times \textit{Sector revenue emissions factor}^{3}$	All business lending sectors except thermal coal mining, upstream oil and gas extraction, power generation and *heavy industry*
5	Sector proxy asset estimation	*Outstanding amount* × *Sector asset emissions factor* [3]	All business lending sectors

1 Where we have reported emissions, but have not confirmed verification by a third party auditor, we assign a data quality score of 2. At this stage, this includes emissions sourced from regulatory databases such as NGERs.

2 EVIC is defined by *PCAF* as the sum of market capitalisation of ordinary shares at fiscal year-end, the market capitalisation of preferred shares at fiscal year-end, and the book value of total debt and minorities' interests. No deduction of cash or cash equivalents are made to avoid the possibility of negative enterprise values.

3 Revenue and sector asset *emissions factors* are sourced from Exiobase and extracted from the *PCAF* Database, excluding New Zealand, Australian agriculture and sectors for which we have set *financed emissions* targets. Refer to the *PCAF* Database Terms and Use for more information at: https://db.carbonaccountingfinancials.com/docs/PCAF Database_Terms of Use_042023.pdf. For information on *emissions factors* for the Australian agriculture refer to page 67. For information on *emissions factors* for sectors for which we have set *financed emissions* targets refer to pages 70–71. For our New Zealand portfolio, sector revenue and sector asset *emissions factors* are derived using data from Statistics New Zealand, Ministry for Environment, and Energy Efficiency & Conservation Authority.

Estimating emissions for the Australian agriculture sector

Our *financed emissions* estimations for Australian agriculture includes *Scope 1 emissions* only. For livestock, this includes the most material emission sources of enteric fermentation, manure management and agriculture soils. For grains and cropping, this includes agriculture soils, field burning of agriculture residues, and rice cultivation. Scope 2 and land use, *land-use change* and forestry emissions are not included due to data and methodology availability. Where we collect customer-level activity and financial data as part of our annual credit review, emissions are estimated using activity-based methods. This includes data such as heads of cattle and tonnes of crop production per annum. For livestock, we apply *emissions factors* derived from the commodity-specific agriculture emissions disclosed in the Australian Government National Emissions Projection [1] and the Australian Bureau of Statistics (ABS) Value of Agricultural Commodities Produced, Australia. For grains and cropping, we use *emissions factors* from FAOSTAT (Food and Agriculture Organisation Statistics) extracted from the *PCAF* database [2].

For customers where we do not have customer-level activity data, we apply economic estimation. For customers with known revenue, we apply commodity specific *emissions factors* derived from Australian Government National Emissions Projection [1] and the ABS Value of Agriculture Commodities produced. For customers where revenue is unknown, we convert the derived revenue *emissions factor* to an asset factor by applying an asset turnover ratio, sourced from our internal customer data.

Agriculture data is complex. Through the construction of the required production data and leveraging annual livestock return data provided by customers, we have had to make some assumptions and apply our business knowledge. We expect to refine and expand the agricultural production data we use over the coming year as we develop a sector-level *financed emissions* target.

Estimating emissions for the housing sector

For the Australian and New Zealand housing portfolios, we measure the emissions for on-balance sheet loans for the purchase and refinance of residential property. Home equity loans (HELs) and home equity lines of credit (HELOCs) [3] are not included in the *financed emissions* or sector-level target given these products are considered consumer loans for general purposes, with unknown use of proceeds. Australian home loans used to construct or renovate a house are also included once construction is complete, and the customer has received their final draw down. New Zealand housing includes home loans used to construct or renovate a house at the date of the first draw down [4]. Due to data limitations we currently include guarantor properties in our Australian housing portfolio.

We measure the emissions of our loans associated with the Commonwealth Bank of Australia, Bankwest, ASB and Retail Mortgage Group (RMG) loans. Unloan products are excluded.

Australian housing

We include all material greenhouses gases related to Australian housing, reported in CO_2-e. These are Scope 1 emissions relating to the burning of natural gas and liquefied petroleum gas (LPG) for cooking and heating; and Scope 2 emissions from the use of grid electricity in the household.

To calculate Australian housing emissions, the following steps are used:

1. Collect location-specific average energy consumption benchmarks [5, 6]. For electricity these are stratified by climate zone [6] and household size, for gas these are stratified by state and household size, for LPG these are stratified by state.
2. Calculate an estimate of household size, by multiplying the number of bedrooms (sourced from valuers or external data providers) by the ratio of average number of people per household (2.5) and average number of bedrooms per dwelling (3.1), sourced from the ABS 2021 Census data [7]. If number of bedrooms is not available, we apply a portfolio-based state average by dwelling type (apartment or house).
3. Calculate the estimated energy consumption for each household by assigning the relevant benchmarks.
4. Calculate an estimate of *absolute emissions* for each household by multiplying the energy consumption by a relevant *emissions factor* [8].
5. Attribute our share of the household emissions by multiplying the household emissions by the LVR, or the outstanding loan value divided by the value of the security at origination.

Where number of bedrooms and property location is known we assign a *PCAF* score of 4, where unknown we assign a *PCAF* Score of 5.

1 We have chosen to use the Australian Emissions Projection as the emissions derived directly from the National Inventory requires significant manual aggregation.
2 Refer to the *PCAF* Database Terms and Use for more information at: https://db.carbonaccountingfinancials.com/docs/PCAF Database_Terms of Use_042023.pdf.
3 HELs and HELOCs include Viridian line of credits (VLOCs), ASB Orbit and ASB HomePlus products.
4 ASB home loans relating to construction or renovation are also included before construction is complete.
5 Electricity and gas benchmarks are based on the Australian Energy Regulator electricity and gas benchmark dataset 2020. LPG benchmarks are based on the Australian Energy Statistics residential sector statistics.
6 WA and NT did not have benchmark data, therefore benchmark data for QLD and NSW was used as they have similar climate zones. For NT and WA regions where the climate zone was 1, 2 or 3, QLD data was used. For WA with climate zone 4 or greater, NSW was used.
7 Number of bedrooms table, 2021 Census All Persons QuickStats.
8 Based on the Australian National Greenhouse Accounts.

New Zealand housing

We include all material greenhouses gases related to New Zealand housing, reported in CO_2-e. These are Scope 1 emissions relating to the burning of natural gas, LPG, wood and coal for cooking and heating; and Scope 2 emissions from the use of grid electricity in the household.

To calculate New Zealand housing emissions, the following steps are used:

1. Collect New Zealand average energy consumption benchmarks[1].
2. Calculate the estimated energy consumption per square metre by dividing total energy consumption by the number of dwellings in New Zealand and by the average floor area per dwelling[2].
3. Calculate an *emissions intensity* per square metre by multiplying the energy consumption per square metre by a relevant *emissions factor*[3].
4. Calculate an estimate of *absolute emissions* for each household by multiplying the *emissions intensity* by the floor area of each dwelling.
5. Attribute our share of the household emissions by multiplying the household emissions by the outstanding loan value divided by the value of the security at origination.

Estimating emissions for the Australian commercial property sector

Australian commercial property consists of secured and unsecured loans for the purchase and refinance of commercial real estate[4]. Due to data availability this may currently include some lending to the sector that is not for the specific purpose of commercial real estate operations, we expect we will refine our approach as we look to set our target in 2024.

We include all material greenhouse gases related to Australian commercial property operations, reported in CO_2-e. These are Scope 1 emissions relating to the burning of gas and Scope 2 emissions from the use of grid electricity in the building.

To calculate Australian commercial property emissions, the following steps are used for our secured portfolio where property type and location are known:

1. Collect Australian energy consumption benchmarks for electricity and gas, stratified by building type and Statistical Area Level 4[5].
2. Calculate the estimated energy consumption for each property by assigning the relevant benchmarks.
3. Calculate an estimate of *absolute emissions* for each property by multiplying the energy consumption by a relevant *emissions factor*[6].
4. Attribute our share of the property emissions by multiplying the property emissions by the *attribution factor* which is the outstanding loan value[7] divided by the value of the property[8].

Where property data is not available or exposures are unsecured, the outstanding balance is multiplied by an economic intensity factor to estimate emissions. The economic intensity factor is derived from our portfolio where property data is available, by dividing total estimated Scope 1 and 2 emissions (using the approach described above) by the total drawn amount.

We assign a *PCAF* data quality score of 5 to both calculation approaches. Our estimation of emissions for commercial buildings is dependent on the coverage and accuracy of available property-level information. We expect to refine our approach as we develop *financed emissions* targets for this sector, including incorporating new sources of property-level data as these become available.

1 Energy benchmarks are from the Ministry of Business, Innovation & Employment.
2 Number of dwellings and average floor area are sourced from Statistics New Zealand.
3 Emissions factors are sourced from the Ministry for Environment.
4 Australian Commercial property exposure includes *ANZSIC* 771 (Property Operators and Developers), excluding developers, vacant land caravan parks and camping grounds. The *ANZSIC* classification system does not provide this granularity. We use our internal industry classification system to identify these exposures.
5 Benchmarks derived by dividing the electricity and gas consumption data and the number of buildings by building type and Statistical Area Level 4 from the 2022 Commercial Buildings Baseline Study (CBBS).
6 Based on the Australian National Greenhouse Accounts.
7 Where loans were linked to multiple securities, the drawn exposure was apportioned to each security using the valuation amounts as weights.
8 The value of the security is the most recent value. We are unable to use value at origination as per the *PCAF* Standard due to data availability.

Sector-level target methodology

We take a sector-level approach to measure and track the alignment of our *financed emissions* with limiting global warming to 1.5°C. For sectors where we have set sector-level *financed emissions* targets, we aim to measure customer emissions across a defined component of the sector scope that captures the most material emissions within the value chain, and set reduction targets that are consistent with limiting global warming to 1.5°C, based on science. In order to achieve this there are a series of additional methodological considerations for our sector-level *financed emissions* targets. The table on pages 72–73 summarises key choices.

Defining the sector scope

For each sector, this involves setting boundaries to define the emissions a customer is responsible for and collecting the required data to measure the emissions. We use *ANZSIC* codes as well as business knowledge to assign customers to the most appropriate part of the value chain. The table on pages 72–73 defines the sector scope for each of our sector-level targets.

Selecting our target metrics

In line with our *NZBA* commitments, we set targets using *absolute emissions* or physical intensity. However, we may choose to use other metrics, for example absolute financing, where relevant. We have found:

- *Absolute emissions* targets are most appropriate in sectors where science indicates the output has to be reduced substantially and, in some cases, completely by 2050 to limit global warming to 1.5°C.
- *Emissions intensity* targets are appropriate when the output in question may in fact grow, but at a decreasing *emissions intensity*. These intensity targets should be based on physical metrics, for example KWh for power generation or m^2 for housing.

For *emissions intensity* targets, an aggregation method is required to produce a portfolio metric. For power generation and *heavy industry*, we use the attributed *production* or generation method. This approach divides the total attributed emissions by the total attributed generation or *production*. For Australian housing, we calculate a portfolio *emissions intensity* by dividing the total attributed emissions by the total attributed living area.

Selecting our reference scenarios

When selecting *reference scenarios*, three criteria are important to us:

1. Consistent with limiting global warming to 1.5°C.
2. From credible, independent and reputable sources and are informed by science, with limited or no overshoot[1] and a conservative reliance on negative emissions technologies.
3. Providing geographical and sectoral relevance.

For each of our *glidepaths* we analyse various scenarios which are widely used by the industry. In May 2021, the *IEA* published Net Zero Emissions by 2050 scenario (NZE2050) which paved the way for the global economy to achieve net zero 20 years earlier than the previous Sustainable Development Scenario (SDS). We have selected the *IEA NZE*, which is consistent with limiting global warming to 1.5°C, as our *reference scenario* for thermal coal mining, power generation, and upstream oil and gas extraction. The *NZBA* identifies the *IEA NZE* as a scenario that meets the objectives of the *NZBA* commitment.

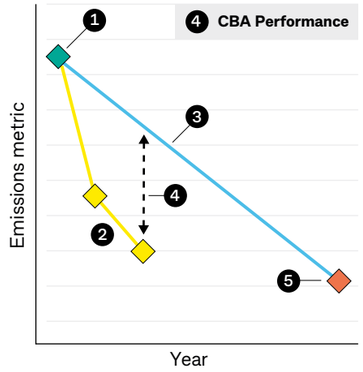
How to read our sector-level target charts

There are five key concepts to understanding our sector-level *financed emissions* targets.

1. **Baseline:** reflects our portfolio's starting point in terms of *absolute emissions* or *emissions intensity*.
2. **Actual:** our portfolio's financed *absolute emissions* or *emissions intensity* for a given financial year.
3. **Reference scenario:** the current science-based scenario we have used to inform our target and what we compare our portfolio's financed *absolute emissions* or *emissions intensity* to. We expect to update these over time.
4. **Performance:** an assessment of how the actual for the current financial year compares to the *reference scenario* at the same point in time.
5. **Target:** our financed *absolute emissions* or *emissions intensity* target for the portfolio.

For some sectors the charts do not include the baseline or actual to protect our customers' confidentiality. This is to support cases, where, for example, only one customer has drawn lending in the reporting period.

Sector-level target chart concepts



1 The *IPCC* defines a 'No overshoot' 1.5°C pathway as: those that give at least 50% probability based on current knowledge of limiting global warning to below 1.5°C. The *IPCC* defines a 'Limited overshoot' 1.5°C pathway as: those that limit warming to below 1.6°C and return to 1.5°C by 2100.

A global 1.5°C aligned *reference scenario* does not necessarily reflect Australia's starting point or emissions trajectory. In order to address this and in the absence of a consistent set of Australia-specific sectoral *reference scenarios* aligned with the *IEA NZE* – our *reference scenario* for global portfolios – we have leveraged the work of available *SBTi* tools, which enable a degree of region and portfolio calibration. For the steel sector, this was calibrated against a global starting point. We have used the *MPP's* pathways for the alumina and aluminium sectors, given no *SBTi* tool yet exists for these sectors.

We will continue to monitor the latest climate science to ensure relevance of our selected *reference scenarios* and we expect to update them over time.

Diversified customers

Where customers have diversified business activities across multiple sector-level targets, best efforts are made to isolate the relevant sectoral component of their emissions. Subject to data availability, the relevant sectoral component of their emissions is calculated using customer reported emissions or with reference to their *production* in that sector-level target sector.

Our approach by sector

Upstream oil and gas extraction

Upstream oil extraction refers to entities whose principal operations include the exploration and development of oil fields for the purposes of extracting and producing crude oil. This does not include midstream or downstream. Upstream gas extraction refers to entities whose principal operations include exploration, ownership, development and management of gas fields, that are used for the purpose of natural gas production. This does not include midstream or downstream. For upstream oil extraction and upstream gas extraction the target metric is *absolute emissions*. Where a customer reports emissions, we assign emissions to upstream oil extraction and upstream gas extraction using a 'pro-rata' share based on the customer's production of oil and gas and the *emissions factor* for each activity respectively, expressed in 'million barrels of oil equivalent'. Where customer-level emissions data is not available, the customer's reported *production* data is multiplied by an activity *emissions intensity* factor [1] to estimate Scope 1 and Scope 2 emissions. Scope 3 emissions are estimated by first converting production, in barrels of oil equivalent, to energy content using an energy content factor sourced from BP's statistical Review of World Energy and then multiplying the energy content by *emissions factors* from the National Greenhouse Accounts.

We calculate our upstream oil and gas extraction targets using the percentage decrease of emissions from combustion activities, oil and natural gas respectively between 2020 and 2030 from the *IEA NZE* (2021) scenario.

Thermal coal mining

The thermal coal mining sector includes companies that mine thermal coal. We include all coal mining customers with more than 5% of their revenues coming directly from the sale of thermal coal in our 2030 target. For thermal coal mining, the target metric is *absolute emissions*. Where customer-level emissions data is not available, the customer's reported production data is multiplied by a physical *emissions intensity* factor [1] to estimate Scope 1 and Scope 2 emissions. Scope 3 emissions are estimated by multiplying production by National Greenhouse Accounts energy content and *emissions factors* for bituminous coal. Where a customer reports coal emissions, we assign emissions to thermal coal mining using a 'pro-rata' share based on the customer's *production* of thermal coal as a proportion of total coal: coal emissions x (thermal coal *production*/total coal *production*).

We calculate our thermal coal mining target using the percentage decrease of emissions from coal combustion activities between 2020 and 2030 from the *IEA NZE* (2021) scenario. Our *E&S Framework* details our commitments regarding thermal coal mining financing. We have set a 2030 interim target for thermal coal mining, to reduce our financed emissions in thermal coal mining by 100% from our 2020 baseline. We include all thermal coal mining customers with more than 5% of their revenues coming directly from the sale of thermal coal in this target. This represents a faster reduction than the *IEA NZE* (2021) scenario.

Power generation

The power generation sector includes the generation of electricity. These are our customers who generate significant revenue from electricity generation. This includes customers with more than 5% of revenue from thermal coal electricity generation. Customers with less than $1 million of exposures are generally excluded. For power generation, the alignment metric is $kgCO_2$/MWh, an intensity metric reflects the critical role of power generation in the economy. Where data is not available, emissions are estimated using the customer's reported generation and grid specific physical *emissions intensity* factors from the relevant regional body, for example National Greenhouse Accounts for Australia or equivalent source outside of Australia. Zero emissions are assumed for renewable customers unless customer reported emissions are available.

We track the portfolio *emissions intensity* against the *IEA NZE*, however, we calculate the power generation target against the *IEA SDS* for OECD nations, based on total electricity and heat sectors CO_2 emissions divided by total electricity generation. Our 2030 target of 105 $kgCO_2$ is 33% below the equivalent figure in the global *IEA NZE* (2021) scenario. We originally tracked

1 Scope 1 and 2 *emissions factors* are calculated from the portfolio of customers where CBA has both production and emissions data.

towards this value based on the *IEA SDS* for OECD nations and chose to retain it as our 2030 target as it represents a lower emissions intensity than the *IEA NZE* transition pathway in 2030.

Alumina and aluminium

The alumina and aluminium sector includes the refining of bauxite to form alumina and the smelting of alumina to produce aluminium. This excludes secondary *production* such as aluminium recycling. For both alumina and aluminium, the alignment metric is tCO_2-e/tonne aluminium *production*. This follows industry convention in expressing alumina production in terms of aluminium equivalents. We use the industry-accepted factor of 1.9 tonnes alumina production per 1.0 tonne of aluminium for this conversion. An intensity metric reflects the role of metals production in a *decarbonising* world.

For Scope 1 and 2, where a company does not report emissions for alumina and aluminium separately, we estimate emissions to alumina and aluminium by applying a location-specific *emissions factor* for alumina *emissions intensity* and aluminium *emissions intensity* to available data on the customer's refining and smelting *production* activity, respectively.

Our sector-level *financed emissions* targets for alumina and aluminium are Scope 1 and 2 intensity targets, to align to the scope of the *reference scenario*. However, we include Scope 3 *absolute emissions* for these customers within the *heavy industry* sector presented in our *financed emissions* disclosure. Where a customer does not report Scope 3 emissions these are estimated by multiplying the customer's reported *Scope 1 and 2 emissions* by a Scope 3 *emissions factor*. The Scope 3 *emissions factor* represents the ratio of *Scope 1 and 2 emissions* to *Scope 3 emissions* for the portfolio of customers in the alumina and aluminium sector for which we have a complete set of reported *Scope 1, 2 and 3 emissions*.

The selected *reference scenarios* are the *MPP* Oceania 1.5°C alumina and aluminium pathways.

Cement

The cement sector includes manufacturing portland, natural and other hydraulic cement from crushed limestone and clay or shale. For cement, the alignment metric is tCO_2-e/tonne cement *production*. An intensity metric reflects the role of cement production in buildings and construction. We define cement as *cementitious* product, which aligns with the Greenhouse Gas Protocol's 'specific CO_2 per ton of *cementitious* product' definition. This means that our sector-level *financed emissions* target for cement are Scope 1 and 2 intensity targets. This aligns with the boundary of the *reference scenario* used for the target. Emissions and *production* associated with imported clinker and clinker purchased from third parties (typically reported as Scope 3) are not included in the target. However, we include Scope 3 *absolute emissions* for cement sector customers within the *heavy industry* sector presented in our *financed emissions* disclosure, using information reported by these customers.

The selected *reference scenario* is from the *SBTi* Cement target setting tool (Version 2.1.2), using an *emissions intensity* of 0.708 tCO_2-e Scope 1 emissions/tonnes of cement, for the base year of 2021, sourced from DCCEEW [1]. While this baseline and resulting *glidepath* only accounts for Scope 1 emissions, we adopt a conservative approach by comparing it against our annual intensity metric which is inclusive of both Scope 1 and Scope 2 emissions.

Steel

The steel sector includes production of steel with iron and steel mills. For steel, the alignment metric is tCO_2-e/tonne steel *production*. An intensity metric reflects the role of metals production in a *decarbonising* world. The target has been set without a baseline as there were no customers with drawn exposure as at either 30 June 2021 or 30 June 2022.

Our sector-level *financed emissions* targets for steel are Scope 1 and 2 intensity targets, to align to the scope of the *reference scenario*. There were no customers with drawn exposure in this sector as at either 30 June 2021 or 30 June 2022. If there were, we would include Scope 3 *absolute emissions* for such customers within the *heavy industry* sector presented in our *financed emissions* disclosure.

The selected *reference scenario* is from the *SBTi* Steel target setting tool (consultation draft, version 2.2), using an emissions intensity of 1.91 tCO_2/tonne steel for the base year of 2021, sourced from the World Steel Association [2]. The scrap ratio numbers used in the tool are sourced from the *IEA* with 31% for the base year and 37% in the target year (2030) [3].

Australian housing

The target metric is an intensity metric ($kgCO_2$-e/m^2) calculated by dividing attributed Scope 1 and Scope 2 emissions ($kgCO_2$-e) from Australian housing (as described on page 67) by attributed living area (m^2). Attributed living area is calculated as household floor space (as provided by valuers or external data providers) multiplied by the LVR, or outstanding loan value by the value of the security at origination. Where living area data is not available we apply a portfolio average based on property specific attributes such as state, building type and number of bedrooms.

The selected *reference scenario* is from the *SBTi* Residential Buildings target setting tool (consultation draft, Version 1), using our financed *emissions intensity* (38.8 $kgCO_2$-e/m^2) for the base year of 2021.

1 Safeguard Mechanism: Prescribed production variables and default emissions intensities: https://www.dcceew.gov.au/sites/default/files/documents/safeguard-mechanism-document-production-variable-definitions-2022.pdf.
2 World Steel Association, Sustainability Indicators: https://worldsteel.org/steel-topics/sustainability/sustainability-indicators/.
3 *IEA* (2022), Iron and Steel, IEA, Paris: https://www.iea.org/reports/iron-and-steel, License: CC BY 4.0 (retrieved 10 July 2023).

Sector-level target methodology

	Emissions measurement				Sector inclusions[1]		Sector-level target setting				
Sector	Emissions scopes	GHG	Methodology	Attribution	Inclusions criteria	Sector scope	Emissions scope	Metric	Reference scenario	Aggregation	Baseline year
Power generation	1 only	CO_2[2]	PCAF: Business loans	Outstanding balance/EV or EVIC	ANZSIC: 3611, > $1m TCE[3], >5% revenue threshold	Generation	1 only	$kgCO_2$/MWh	*IEA NZE* 2021	Attributed-generation	FY20
Upstream oil and gas extraction	1, 2, 3[4]	CO_2[2]	PCAF: Business loans	Outstanding balance/EV or EVIC	ANZSIC: 1200, >5% revenue threshold	Upstream	1, 2, 3[4]	*Absolute emissions*	*IEA NZE* 2021	n/a	FY20
Thermal coal mining	1, 2, 3[4]	CO_2[2]	PCAF: Business loans	Outstanding balance/EV or EVIC	ANZSIC: 1101, >5% revenue threshold	Mining	1, 2, 3[4]	*Absolute emissions*	Custom (0 by 2030); Compare to *IEA NZE* 2021	n/a	FY20
Heavy industry											
Alumina	1, 2, 3	CO_2-e	PCAF: Business loans	Outstanding balance/EV or EVIC	ANZSIC: 2721, >5% revenue threshold	Primary alumina refining	1, 2	tCO_2-e/t-Aluminium	*MPP* Oceania	Attributed-*production*	FY21
Aluminium	1, 2, 3	CO_2-e	PCAF: Business loans	Outstanding balance/EV or EVIC	ANZSIC: 2722, >5% revenue threshold	Primary aluminium smelting	1, 2	tCO_2-e/t-Aluminium	*MPP* Oceania	Attributed-*production*	FY21
Steel	1, 2, 3	CO_2-e	PCAF: Business loans	Outstanding balance/EV or EVIC	ANZSIC 2711, >5% revenue threshold	Primary steel *production*	1, 2	tCO_2-e/t-Steel	*SBTi*	Attributed-*production*	n/a[6]
Cement	1, 2, 3	CO_2-e	PCAF: Business loans	Outstanding balance/EV or EVIC	ANZSIC 2631	Cement *production* (on-site)	1, 2	tCO_2-e/t-Cement[7]	*SBTi*	Attributed-*production*	FY22
Housing											
Australian housing	1, 2	CO_2-e	PCAF: Mortgages	Outstanding balance/value at origination	Australian residential mortgages, excluding Viridian line of credits (VLOCs)	Building operations	1, 2	$kgCO_2$-e/m^2	*SBTi*	Attributed floor-space	FY21
New Zealand housing	1, 2	CO_2-e	PCAF: Mortgages	Outstanding balance/value at origination	ASB residential mortgages, excluding Orbit and Homeplus products						
Agriculture											
Australian and New Zealand agriculture[5]	1, 2[8]	CO_2-e	PCAF: Business loans	Outstanding balance/EV or EVIC	ANZSIC subdivision 01 (agriculture)						
Other agriculture, forestry and fishing	1, 2	CO_2-e	PCAF: Business loans	Outstanding balance/EV or EVIC	ANZSIC subdivisions 02 (Services to agriculture, hunting and trapping), 03 (forestry and logging), 04 (commercial fishing)						
Transport and storage											
Transport	1, 2	CO_2-e	PCAF: Business loans	Outstanding balance/EV or EVIC	ANZSIC division I (transport and storage), excluding subdivision 66 (services to transport)						
Other transport	1, 2	CO_2-e	PCAF: Business loans	Outstanding balance/EV or EVIC	ANZSIC subdivision 66 (services to transport)						
Other											
Other business lending	1, 2	CO_2-e	PCAF: Business loans and project finance	Outstanding balance/EV or EVIC	All other business lending exposures						
Australian commercial real estate	1, 2	CO_2-e	PCAF: Commercial real estate	Outstanding balance/property value[9]	ANZSIC 771 (Property Operators and Developers), excluding developers, vacant land caravan parks and camping grounds						

1 If a customer is within an *ANZSIC* code but is not assigned to the relevant 'Sector scope' based on business knowledge, they are not included within the target.

2 CO_2 only where possible, when data is not available CO_2-e is used.

3 Counterparties with exposure less than the specified threshold are generally excluded from the sector-level target unless it is identified they have available information (emissions or financials) or were previously included in the sector-level target.

4 Scope 3 is Use of Sold products (Category 11 only).

5 New Zealand agriculture refers to lending by ASB that meets the sector inclusion criteria.

6 The target has been set without a baseline as there were no customers with drawn exposure as at 30 June 2021 or 30 June 2022.

7 We define cement as *cementitious* product, which aligns with the Greenhouse Gas Protocol's 'specific CO_2 per ton of *cementitious* product' definition. This means that emissions and *production* associated with imported clinker (typically reported as Scope 3) are not included.

8 Scope 2 for agriculture only included for New Zealand. Australian agriculture is Scope 1 only due to the boundary of the *emissions factors* applied.

9 The value of the security is the most recent value. We are unable to use value at origination as per the *PCAF* Standard due to data availability.

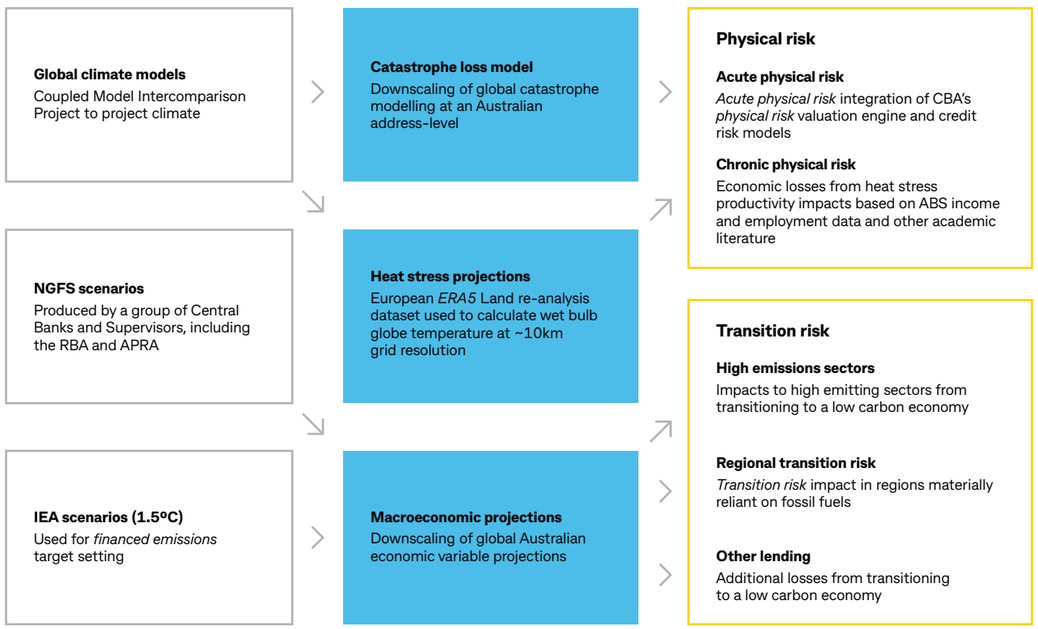
Our approach to climate scenario analysis

Our approach to conducting climate scenario analysis is outlined below. We begin with global scenarios, drawn from global climate models and global macroeconomic projections. These are downscaled to Australia and New Zealand, translating the data to a more granular level. We source global scenarios from reputable parties such as the *IEA*, and have leveraged third-party capabilities for the downscaling exercise. For example, we relied on data used by the insurance industry to model the impact of natural *perils* in residential real estate. We then use multiple modelling techniques to estimate the impact of *physical* or *transition risk* on credit losses. This draws on internal expertise in climate and credit loss modelling.

Addressing uncertainty in climate modelling

There are a range of uncertainties when looking to model scenarios and their climate-related impacts. Understanding uncertainty within climate modelling allows us to focus on reducing it where possible, accepting it where necessary, and interpreting and communicating results in an appropriate manner. We consider the risks of relying on uncertain information when making decisions based on climate scenario analysis.

We aim to take a pragmatic approach to address uncertainty. This starts with identifying key sources of uncertainty that are introduced at each stage of the modelling chain. Uncertainty can be classified as reducible or irreducible. Examples of uncertainty that cannot be reduced include limitations in forecasting socioeconomic pathways, and potential for inaccuracy in downscaled projections of extreme rainfall in specific locations. To address uncertainty that cannot be reduced, we intend to apply the precautionary principle and interpret results conservatively where there is high materiality. We also aim to avoid false precision in modelled outcomes, for example by rating *physical risk* across an entire portfolio rather than expecting single address results to be equally robust. With respect to uncertainty that can be reduced, we focus on improving data capture and storage, ranging from building construction codes of our portfolio to under-insurance projections and employment sector data.



Key sources of uncertainty and limitations

There are limitations and uncertainty associated with projections of future climate scenarios, given the limitations of current scientific understanding of the climate system and its cascading impact to the broader economy and society, and complexity of climate risk modelling.

The table below highlights a non-exhaustive list of some of the key sources of uncertainty and range of limitations.

Modelling step	Key sources of uncertainty and limitations
Global scenarios	• Global climate models are extremely complex and explore futures that are sometimes outside the range of historical data. These models could be inaccurate. • Extremes are not well captured in climate modelling as relationships are complex and unpredictable, and extremes often occur in very specific locations, while climate models usually model larger areas. Scaling *peril* rates for future climate conditions could therefore be inaccurate. • Economic variables are projected over a 30-year time horizon, with assumptions regarding factors such as policy and technology. These projections could be inaccurate. • The interaction of global climate and socioeconomic variables, and the impact of new technological developments on structural economic relationships, are unknown. Modelled outcomes may not be realised.
Australia and New Zealand scenarios and catastrophe modelling	• The approach taken to downscale physical climate data assumes certain relationships observed in past data will continue into the future, but they may not. For example, the downscaling approach takes the outputs of a climate model run backward into the past, compares those to the average observations for the period of comparison, and adjusts future projections by the same bias. It is possible the bias could behave differently under future climate conditions. • Economic scenario data has been downscaled from global and aggregated regional variables to national variables. This approach may not accurately reflect Australia's specific conditions, including government policies, energy generation mix, geographic dispersion and general macroeconomic conditions. As such, the modelled scenarios could be inaccurate.
Climate loss assessment	**Physical risk** • As climate impacts become more prominent and severe, the relationship between physical catastrophes and asset prices could change in unexpected ways. • Historical observations on credit losses under catastrophes may not be consistent with losses under future scenarios, if, for example, insurance coverage was to change differently to our forecasts. • Relationships between climate and agricultural productivity are typically based on regressions and as such limited to the range of climate variables experienced in the baseline period. This may not be representative of future climate outcomes. • The effectiveness of actions that could mitigate the impact of climate change is uncertain. **Transition risk** • Modelling climate impacts to individual counterparties is significantly complex and subject to considerable variability and judgement. For example, business structure, generation mix, emissions-intensity, energy-intensity, product mix, technology mix, geographic dispersion, supply chains and physical location can all impact a business' or sector's exposure to climate change. • Climate *transition risk* can materialise in a variety of ways, including through direct exposure of carbon prices or indirect impacts from reduced demand. This creates significant difficulty in modelling and quantifying feedback impacts. • Due to limited available data, multiple data sources were used for *transition risk* analysis. As different sources model varied scenarios and assumptions, data employed may not be consistent to a single scenario. • Counterparties use different reporting methods and accounting treatments, limiting comparability of financial data.

ESG risk assessment tool

Our *ESG risk assessment tool* plays an important role in the corporate lending decision process, by assisting our front line bankers to:

- Identify and assess the E&S risks that our customers are exposed to.
- Assess the mitigating actions that our customers take to manage their E&S risks.
- Assess how lending to our customers aligns to the commitments made in our *E&S Framework*.

Relevant project finance transactions follow the Equator Principles process requirements.

In 2023, ESG risk assessments were performed on all Institutional corporate lending and Business Banking customers with current or proposed corporate lending greater than or equal to $1.5 million. These assessments are performed in one of two ways:

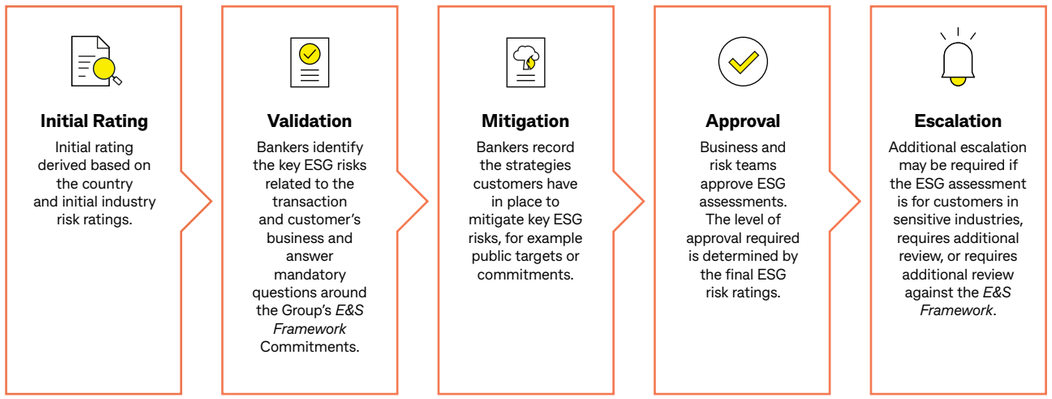
- The Corporate and Institutional Pathway is used to assess larger Business Banking customers within the Major Client Group and Regional and Agribusiness Specialised Agribusiness Solutions, and all Institutional corporate lending.
- The Commercial Pathway is used to assess Business Banking customers in the Commercial Banking, Regional and Agribusiness Banking, and Broker, Agency and Specialist Sales segments.

The *ESG risk assessment tool* is supported by a data set of initial risk ratings across ten key focus areas including: climate and energy; climate *physical risk*; water; pollution; *biodiversity*; human rights; labour rights and modern slavery; Indigenous rights; workplace health and safety; and anti-corruption and governance. The tool also includes specific questions to establish a customer's alignment to the commitments in the *E&S Framework*. This year, additional questions around Indigenous rights were added for Institutional Bank customers.

The Corporate and Institutional Pathway

The Corporate and Institutional Pathway facilitates risk assessments of larger businesses that typically have ESG strategies and approaches to managing E&S risks, including the impacts of climate change. Some of these businesses have or are developing *Transition Plans* that can be considered in our risk assessments. The Corporate and Institutional Pathway has been used and progressively updated since 2015. The Pathway includes questions that are designed to direct bankers' focus to relevant E&S commitments that potentially apply to that transaction. The *ESG risk assessment tool* directs users to escalate assessments either to their General Manager to determine if further escalation is required or to relevant committees. For relevant transactions, the *ESG risk assessment tool* steps the banker through a process of identifying key risks across the ten focus areas and describing the mitigants customers have in place to manage these risks. The tool directs and records the approval process required by business and credit risk teams. The escalation pathway to senior management or governance forums is determined by the final escalation rating.

Process overview: Corporate and Institutional Pathway



The Commercial Pathway

The Commercial Pathway is used for businesses that are generally beginning to understand the ways in which ESG risks, including climate change, may impact them. It supports the identification and assessment of ESG risks of typically less complex businesses managed in higher volume portfolios. In 2023 it was used to assess Business Banking customers with greater than or equal to $1.5 million in corporate lending managed in the Commercial Banking, Regional and Agribusiness Banking and Broker, Agency and Specialist Sales segments.

This pathway uses multiple-choice questions to identify and assess a customers' exposure to ESG risk factors, and determine a customers' alignment to the Bank's *E&S Framework*.

Depending on the responses to the assessment questions, business approval of Commercial Pathway assessments may be escalated to senior management or the Commitments Committee. During 2023 credit risk approval was made mandatory for all Commercial Pathway assessments for customers with greater than or equal to $5 million in corporate lending.

Process overview: Commercial pathway

E&S Framework Transition Plan expectations

Subject to Australia having a secure energy platform, we will expect certain *clients* to have published Paris-aligned *Transition Plans* by 2025, requiring that the plans include their *Scope 1, 2 and 3 emissions*. This applies to existing oil and/or gas producing or metallurgical coal mining *clients* who derive 15% or more of their revenue from the sale of oil, gas or metallurgical coal, or power generation *clients* who generate 25% or more of their electricity from coal, and to whom we provide *corporate or trade finance*, or *bond facilitation*.

During the year, the Bank has been considering an appropriate process to engage with *clients* and frameworks to assess their *Transition Plans*. We intend to adopt a framework, which leverages and adapts the high level Climate Action 100+ framework criteria to assess alignment of *Transition Plans* with the 'well below 2°C' goal of the *Paris Agreement*. Our adapted framework will include criteria such as net zero ambition, targets, strategy, governance and disclosure.

CBA considers Climate Action 100+ to be a widely recognised framework that is also referenced by the Glasgow Financial Alliance for Net Zero and *NZBA*. Given the complexity involved in this assessment, CBA has engaged an external party to help assess our *clients*' *Transition Plans*, as required. This process of assessment and *client* engagement will commence in the 2024 financial year, with a view to completing the process by the beginning of 2025.

CBA Sustainability Funding Target

Target: $70 billion in cumulative sustainability funding by 2030

We seek to support growth in sustainable industries and asset types that can have a positive impact on our economy and environment through sustainability funding.

Unless specified below, we use total lending exposure which excludes commitments at offer, derivatives, guarantees, operating leases and trading securities to calculate the cumulative funding since 30 June 2020. We include new qualifying lending, and refinance balances if the exposure has not already been included in the cumulative progress. If the exposure has already been included, but the refinance leads to an increase in balance, we include the incremental balance. The assessment of changes in balance is undertaken in local currency and converted to Australian dollars in the period corresponding to the change. Definitions and details on eligibility are outlined in the table below.

This year, we refined our eligibility criteria for residential mortgages to capture only construction assets with a progressive drawdown which are expected to meet National Construction Code standards of energy efficiency. Existing National Construction Code standards require new construction or major renovations to reach a *NatHERS* 6 Star Rating of thermal efficiency. When the 2022 National Construction Code updates are introduced by each state, this will increase to *NatHERS* 7 Star.

We will continue to review our eligibility criteria as market practices evolve. We are closely following developments in the industry including the work of ASFI and establishment of market standards for transition finance. In the future, we may update our eligibility criteria to reflect changes in market practice. We expect to capture such changes prospectively, with the nature of any change disclosed, in the year they are made.

Category	Definition	Included assets	Exclusions	Exposure type
Renewable energy	Lending to entities involved in providing and manufacturing equipment, and the development, construction, operation, distribution and maintenance of large scale renewable energy projects.	1. Domestic and offshore assets. 2. Entity's main business is electricity generation (more than 50% of EBITDA, or an alternative measure where EBITDA is unavailable derived from electricity generation), and at least 90% of the generation is sourced from the following: • Wind, solar (photovoltaics, concentrated solar power/solar thermal), hydro, geothermal, wave, tidal, landfill gas (if asset is classified as an eligible generator under the Australian Renewable Energy Target (RET)). • Any other asset classified as an eligible generator under the RET or other Australian energy policy. 3. 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. 4. 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.	Exposures under the value of $1 million.	Total lending exposure. Exposure amounts have not been netted off against any insurance or guarantees that mitigate CBA's risk exposure to customers.
Low carbon transport	Lending related to low carbon transport and related infrastructure.	1. Low carbon/clean transport defined as the following public/private vehicles: • Electric and hydrogen passenger and freight vehicles. • Electric off-road machinery and engines. • Trains: Non-diesel rolling stock and vehicles for electrified trams, trolley buses and cable cars. • Buses: electric or hydrogen buses. 2. Supporting infrastructure, such as: • 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.	Hybrid fuel-efficient vehicles.	Total lending exposure.
Low carbon commercial buildings	Lending secured by ≥5 Star *NABERS* Energy or Green Star rated commercial buildings.	1. Commercial buildings that are ≥5 Star *NABERS* Energy or Green Star rated at time of origination. Where origination date is unknown, *NABERS* assessment is undertaken as at reporting date. 2. Includes projects under construction or property upgrade, based on expected *NABERS* Energy rating. 3. 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.	Unsecured loans. Exposures under the value of $1 million.	Total lending exposure.
Energy efficiency	Lending for assets that improve energy efficiency or generate renewable energy excluding those that are reported under other categories.	1. Solar, wind, hydro powered equipment including panel installations. 2. Batteries used to store energy for commercial use and charging equipment.	Unsecured loans. Excludes exposures to assets reported under other categories.	Total lending exposure.
Energy efficient residential buildings	Mortgage loans related to new construction/major renovation of residential buildings that are considered energy efficient under accepted standards.	Mortgage loans to finance the construction of new residential buildings or major renovations. The National Construction Code requires qualifying constructions and major renovations to meet a minimum thermal efficiency *NatHERS* rating. Construction loans have progressive payments as the work progresses, with drawdowns within the reporting period being included.	Excludes Bankwest. Residential buildings that are not funded with a progressive drawdown.	Total funded balance.

Category	Definition	Included assets	Exclusions	Exposure type
Pollution and waste management	Lending related to activities that contribute to soil remediation, waste prevention and collection, waste reduction and waste recycling.	1. The development, operation and upgrade of physical recycling facilities for metals, plastic or paper. 2. Recycling or composting to divert waste from landfill. Collection and processing of non-hazardous waste. 3. Organic waste treatment and composting. 4. Organic waste to energy power generation projects. 5. Landfill gas collection power generation projects for closed landfills with 75% or more gas capture efficiency.	Unsecured loans. Exposures less than $1 million.	Total lending exposure.
Sustainability-Linked Loans	Loans with predetermined targets to facilitate environmentally or socially sustainable outcomes.	*Sustainability-Linked Loans* are instruments which incentivise the borrower's achievement of ambitious, predetermined sustainability performance targets. The use of proceeds in most instances will be for general corporate purpose.	Exposures less than $1 million.	Total lending exposure.
Land and agriculture	Lending for assets or agricultural practices that are designed to improve certain environmental outcomes.	Assets financed through the Agri Green Loan, which include: 1. Solar, batteries or bioenergy. 2. Electric or hydrogen vehicles. 3. Farm building upgrades. 4. Environmental plantings, vegetation and waterway protection, precision use of chemicals, water efficiency, management of manure waste streams. 5. Rotational grazing, restoration of degraded soils, erosion restoration and prevention and regenerative cropping practices.	Unsecured loans.	Total lending exposure.
Social assets	Lending that facilitates and supports economic activity which mitigates social issues and challenges, and/or achieves positive social outcomes.	Eligible social projects should be directed towards specified target populations, for example those outlined in the Social Loan Principles. Eligible assets include funding or financing related to the acquisition, construction, equipment or operation of activities that expand: • Access to health, healthcare and wellbeing. • Access to educational and vocational training. • Access to adequate, safe, affordable housing to people from low socioeconomic groups[1], victims of domestic or family violence, or Aboriginal and Torres Strait Islander peoples. • Affordable basic infrastructure. Includes: • Assets that operate or are under construction to operate. • Loans to organisations that derive 90% or more of its revenues from activities in the above list of eligible categories.	Unsecured loans. Exposures less than $1 million.	Total lending exposure.

1 Low socioeconomic groups are defined as people who are homeless or are in receipt of Australian Commonwealth Rent Assistance.

Group operational emissions

Environmental management systems and certifications

We measure and manage the direct environmental impacts of our activities under our operational control using an environmental management system. Envizi is used for Australia and other overseas *operational emissions*. For New Zealand, ASB measure its *operational emissions* using emission calculators developed in-house.

Certifications

- ISO 9001:2015 – Quality Management System. Scope of certification: the management of design and delivery of minor, medium and major retail capital works.
- ISO 14001:2015 – Environmental Management System. Scope of certification: the provision of Property Operations and Facilities Management across the Australian operations for the Group, including Commercial, Retail, Data Centres, SST (ATMs).
- ISO 50001:2018 – Energy Management System. Scope of certification: the provision of Facilities Management across the Australian operations for the Group including Commercial, Retail, Data Centres, SST (ATMs).

Organisational boundaries, calculations and emissions factors

Organisational boundaries

Australia: Our emissions are based on an extended operational control approach to establish our operational boundary and identify which emission sources need to be included. The operational control boundary covers the Bank's Australia-based operations, including Bankwest, and includes commercial and retail facilities as well as data centres. We have extended our boundary to include selected emission sources beyond our operational control, such as the provision of base building services in our commercial sites, business travel activities, employees commuting to work, employees working from home, paper and courier services used by the Bank.

New Zealand: ASB uses an operational control consolidation approach to account for emissions. Organisational boundaries are set with reference to the methodology described in the GHG Protocol and ISO 14064-1:2018 standards.

Other overseas: Includes offices in North America, Asia and Europe. Based on Australian operational control approach. All location-based based emissions are based on per FTE estimates of Australian operations. Market-based Scope 2 emissions reported as per renewable electricity procurement.

Calculations and emissions factors

For Australia and other overseas, invoices or reports are received from the relevant data source and are loaded into Envizi. The platform then calculates the emissions using the relevant *emissions factors*. *Emissions factors* are reviewed by a third party for CBA and updated in Envizi, and are sourced from:

Scope 1 – National Greenhouse Accounts Factors and the *IPCC*.

Scope 2 – National Greenhouse Account Factors and *IEA* (for other overseas).

Scope 3 – National Greenhouse Account Factors, *Climate Active* and Department for Environment, Food & Rural Affairs (DEFRA).

For New Zealand, ASB measures and manages its *operational emissions* using emissions calculators developed in-house. *Emissions factors* for Scope 1, 2 and 3 are sourced from Ministry for Environment NZ, Measuring Emissions: A Guide for Organisations: 2023 Emission Factors Summary, with exceptions as below:

- Scope 3 Freight
  a) Postage: New Zealand Post FY22 *emission factors* by letter (domestic/international).
  b) Courier: Auckland Council spend based *emissions factor* (year ending 2019, Postal and Courier Services).
- Scope 3 Paper – Environment Protection Authority Victoria.

Scope 1 emissions

Scope 1 *operational emissions* are direct emissions from operations that are owned or controlled by the reporting company. For example for CBA, emissions from natural gas consumed in our retail, commercial or data centre properties. The table below outlines Scope 1 *operational emission* sources reported within our Annual Report.

For a reconciliation between Scope 1 *operational emissions* reported in our Annual Report and those within our Scope 1 & 2 reduction target, see page 85.

Australia

Scope category	Description	Data source	Units
Natural gas and diesel stationary	Emissions from the consumption of diesel and natural gas in retail, commercial and data centre properties in Australia under the Group's operational control.	Diesel usage reports Natural gas usage invoices	L (fuel) MJ (gas)
Transport fuels	Emissions from the consumption of diesel, ethanol E10 and petrol from our business use of our tool of trade vehicle fleet in Australia.	SG Fleet monthly report	L (fuel)
Refrigerant	Emissions from installation, servicing and disposal of air conditioning units based on top up of refrigerants from contractors maintaining the equipment in retail, commercial and data centre properties in Australia under the Group's operational control.	HVAC contractors	kg (refrigerant)

New Zealand

Scope category	Description	Data source	Units
Natural gas and diesel stationary	Emissions from the consumption of natural gas and diesel across ASB retail, corporate and data centre properties in New Zealand under ASB's operational control.	Diesel usage reports Natural gas usage invoices	L (fuel) kWh (gas)
Transport fuels	Emissions from the consumption of diesel and petrol from our business use of our tool of trade vehicle fleet in New Zealand.	SG Fleet monthly report and transactional listing	L (fuel)
Refrigerant	Fugitive emissions from installation, servicing and disposal of air conditioning units based on refrigerant top-ups by contractors maintaining equipment at retail, commercial and data centre properties under ASB's operational control.	HVAC contractors	kg (refrigerant)

Scope 2 emissions

Scope 2 *operational emissions* are *indirect emissions* from the generation of purchased energy consumed by a company. For example emissions from electricity CBA buys from the grid for use in our ATM, branches and commercial office buildings. The table below outlines Scope 2 *operational emission* sources reported within our Annual Report.

Australia

In Australia, we use a location-based and market-based reporting approach. Location-based methodology reflects the average emissions intensity of grids on which energy consumption occurs, while a market-based methodology reflects emissions from electricity that we have purposefully chosen.

Scope category	Description	Data source	Units
Purchased electricity – property portfolio	Emissions from the electricity used by ATMs, retail, commercial and residential properties under the Group's operational control in Australia.	Invoice PDFs/EDIs from electricity retailer	kWh
Purchased electricity – data centres	Emissions from the electricity used by data centres under the Group's operational control in Australia.	Invoice PDFs/EDIs from electricity retailer	kWh

New Zealand

Scope category	Description	Data source	Units
Electricity consumption	Emissions from the electricity used by ATMs, retail, corporate and data centre properties in New Zealand under ASB's operational control.	Invoice PDFs/EDIs from electricity retailer	kWh

Scope 3 emissions

Scope 3 *operational emissions* are all other *indirect emissions* (not included in Scope 2) that occur in the value chain of the reporting company (for example, for CBA, emissions from business flights or employees working from home). The table below outlines all selected Scope 3 *operational emission* sources reported within our Annual Report.

For a reconciliation between Scope 3 *operational emissions* reported in our Annual Report and those within our Scope 3 reduction target, see page 85.

For information on CBA's *financed emissions* methodology, see pages 64–73.

Australia

Scope category	Description	Data source	Units
Purchased electricity – data centres	*Indirect emissions* from the electricity in the Group's Australian data centres not under the Group's operational control.	Invoice PDFs from landlord/retailer	kWh (electricity)
Natural gas and diesel stationary	*Indirect emissions* associated with the use of diesel and natural gas in retail, commercial and data centre properties in Australia under the Group's operational control.	Diesel usage reports Natural gas usage invoices	L (fuel) MJ (gas)
Transport	*Indirect emissions* from rental car and taxi use, business use of private vehicles, business flights, and *indirect emissions* from business use of our tool of trade vehicle fleet.	Monthly flights report CBA operating expense management system Monthly transactions report	Flight ticket class/airport codes $ (expenditure) L (fuel)
Hotel accommodation	*Indirect emissions* from hotel accommodation used by employees and calculated based on the duration of stay and average hotel star rating on accommodation.	Monthly hotels report	Days/nights stay

Scope category	Description	Data source	Units
Transmission and distribution losses	*Indirect emissions* associated with the electricity used by ATMs, retail, commercial, data centre and residential properties under the Group's operational and non-operational control in Australia.	Invoice PDFs/EDIs from electricity retailer	kWh (electricity)
Office paper	*Indirect emissions* generated from the Group's use of office paper in the Group's commercial operations and retail branches under the Group's operational control in Australia.	Monthly paper transactions report	GSM (paper weight)
Base building	*Indirect emissions* generated from CBA's proportion (by net lettable area) of base building electricity and natural gas usage for the Group's Australian commercial offices.	Landlord utilities invoices/reports	kWh (electricity) MJ (natural gas)
Waste (commercial operations)	*Indirect emissions* generated from our waste to landfill, from commercial properties under our operational control in Australia.	Cleaning contractor waste report Landlord/base building waste report	Tonnes (waste) kg (waste)
Water (commercial, retail and data centres)	*Indirect emissions* generated from the water usage at our commercial, retail properties and data centres under our operational control in Australia.	Utility bills Landlord bills Water meter reading report	kL (water)
Employees commuting	*Indirect emissions* generated by employees commuting to offices.	CBA Group FTE report CBA speedgate data HR employee leave data CBA commercial offices parking bay data	FTE (employees)
Working from home emissions	*Indirect emissions* generated by number of employees working from home.	CBA Group FTE report CBA speedgate data HR employee leave data	FTE (employees)
Couriers	*Indirect emissions* generated from Australian courier contracts. Reported as per courier emissions report.	Quarterly courier emissions report	tCO_2-e (courier)
Annual & Climate Report production	Emissions related to the design, print, distribution and disposal of Group Annual and Climate Reports.	Supplier spend invoices	$ (AUD)
Annual General Meeting	Emissions related to Group's Annual General Meeting.	Supplier spend invoices	$ (AUD)

New Zealand

Scope category	Description	Data source	Units
Transport	*Indirect emissions* from rental car and taxi use, business use of private vehicles, business flights, and *indirect emissions* from business use of our tool of trade vehicle fleet.	Monthly travel report ASB's operating expense management system	$ (taxi (incl. Uber)) km (rental car; car average (all fuel types)) Flight ticket class/airport codes
Hotel accommodation	*Indirect emissions* from hotel accommodation used by employees and calculated based on the duration of stay.	Monthly travel report	Days/nights stay
Transmission and distribution losses	*Indirect emissions* associated with the generation of electricity purchased and natural gas that are consumed in transmission and distribution.	Emissions calculated from Scope 1 natural gas and Scope 2 electricity	kWh (electricity)
Office paper	*Indirect emissions* generated from ASB's use of office paper in commercial operations and retail branches under ASB's operational control.	Monthly paper transactions report	kg (paper)
Waste (commercial operations)	*Indirect emissions* generated from waste to landfill from commercial properties under ASB operational control.	Landlord/base building waste report	kg (waste to landfill)
Working from home emissions[1]	*Indirect emissions* generated from ASB staff working from home.	ASB employment record and worksite utilisation report	FTE (employees) and number of working days
Freight	*Indirect emissions* generated from use of courier services.	Mail volume report Transactional listing	Postage volume $ spent

1 Work from home calculation methodology changed from 2022 to 2023. Work from home emissions reported in the Group's 2022 Annual Report only reflect the COVID-19 lockdown and restricted access periods from August to December 2021. For 2023, work from home emissions account for the entire financial year from 1 July 2022 to 30 June 2023.

Reconciliation of our 2023 Group operational emissions reporting

(tCO_2-e)	As reported in the 2023 Annual Report on pages 40–41	Emissions represented within our operational reduction targets as reported on pages 53 and 61	Reason for difference
Scope 1	7,891	6,972	Other overseas is calculated based on FTE intensity estimates in the Annual Report. Other overseas emissions are excluded from the *operational emissions* target baseline as we are unable to source reliable data.
Scope 2	12	0	ASB offsite ATMs were reclassified as Scope 2 in FY23. RECs could not be purchased due to metering limitations.
Scope 3	60,697	26,150	Other overseas emissions are based on FTE intensity in the Annual Report. The *operational emissions* target excludes emissions where we cannot influence reductions or emissions that are based on estimates in the Annual Report. *Operational emissions* target excludes electricity emissions where we are sourcing the equivalent of 100% of our electricity needs from renewable sources.

Reviewing TNFD core metrics

As a member of the *TNFD* Forum, we are monitoring developments in *nature*-related financial disclosures. In 2023, the *TNFD* released a set of 10 core disclosure metrics[1] for dependencies and impacts on nature, and five core organisational-level risk and opportunity disclosure indicators (*TNFD* core metrics). The table below sets out potential Australian data sources for 14 *TNFD* core metrics (excluding climate change).

In our own operations, we already report waste from commercial operations (*TNFD* core metric no C3.2), including the volume recycled, and water use (*TNFD* additional metric no A3.0), which relate to 'additional disclosure' *TNFD* metrics. While potential Australia-specific data sources exist for most *TNFD* core metrics, users of these data sources currently face a range of challenges such as limited accuracy in Australian conditions, infrequency of updates, inconsistent structure and contents across state boundaries, incomplete coverage of entities and/or geographies, cost of access and low spatial resolution. Integration of a holistic and regularly maintained set of metrics into a nationally consistent and freely available data source could accelerate the implementation of *TNFD*-aligned disclosures in Australia. We will continue to monitor developments in datasets and methodologies.

	Metric No	Driver	TNFD metric	Potential data sources (non-exhaustive)
Impact and dependency	C2.0	Land/freshwater/ ocean-use change	Extent of land/freshwater/ocean-use change (km^2), by type of ecosystem[2] (before and after change) and business activity (absolute and change from previous year), referring to sector-specific guidance for relevant metrics	European Space Agency (ESA) WorldCover Australian Collaborative Land Use and Management Program (ACLUMP) Environmental Systems Research Institute, Inc. (ESRI) Sentinel Land Cover classification Digital Earth Australia (DEA) Land Cover Global Land Analysis and Discovery (GLAD) dataset by Hansen et al. National Vegetation Information System (NVIS) Vegetation classification Ozius vegetation dataset
	C2.1	Land/freshwater/ ocean-use change	Extent of land/freshwater/ocean use change (km^2), by type of ecosystem[2] (before and after change) and business activity, for prioritised ecosystems, referring to sector-specific guidance for relevant metrics	Biodiversity Intactness Index (Impact Observatory and Vizzuality) PREDICTS (Projecting Responses of Ecological Diversity In Changing Terrestrial Systems) CAPAD (Collaborative Australian Protected Areas Database) Ramsar listings Google Earth Engine Burnt Area Map (GEEBAM) Habitat Condition Assessment (HCAS) National Connectivity Index Bioclimatic Ecosystem Resilience Indicator (BERI) International Union for Conservation of Nature (IUCN) Ecosystem Red List Australian Ecosystem Models Framework
	C3.0	Pollution/pollution removal	Total pollutants released to soil split by type, referring to sector-specific guidance on types of pollutants (tonnes)	Australian National Pollution Inventory Database
	C3.1	Pollution/pollution removal	Volume of water discharged (total, freshwater, other) (cubic metre or equivalent) and concentrations of key pollutants in the wastewater discharged by type, referring to sector-specific guidance on types of pollutants	Australian National Pollution Inventory Database
	C3.2	Pollution/pollution removal	Total amount of hazardous waste generated by type, referring to sector-specific guidance on types of waste (tonnes)	Australian National Pollution Inventory Database
Impact and dependency	C3.3	Pollution/pollution removal	Total non-GHG air pollutants by type: 1. Tonnes of particulate matter (PM2.5 and/or PM10) 2. Tonnes of nitrogen oxides (NO_2, NO and NO_3) 3. Tonnes of volatile organic compounds (VOC or NMVOC) 4. Tonnes of sulphur oxides (SO_2, SO, SO_3, SOX) 5. Tonnes of ammonia (NH_3)	Australian National Pollution Inventory Database
	C4.0	Resource use/ replenishment	Total water withdrawal and consumption from areas of water stress (cubic metre or equivalent)	State and Territory Government water license grants ABS Water Account
	C4.1	Resource use/ replenishment	Quantity of high-risk natural commodities[3] sourced from land/ocean/freshwater split into types (absolute (tonnes), and proportion of total, change from previous year), referring to sector-specific guidance on types of commodities	ABS commodity surveys State of the Forest Report
	C4.2	Resource use/ replenishment	Quantity and share of natural commodities sourced from priority ecosystems split into types (absolute (tonnes), proportion of total, change from previous year)	Ground salinity (Hassani et al. 2020)
Risk and opportunity	C5.0	Nature-related risks	Proportion and total annual revenue exposed to: 1. *physical risks* and 2. *transition risks*	Wind Speed loadings – AS 1170.2 Geoscience Australia cyclonic wind speed return interval World Resources Institute (WRI) Aqueduct Flood Hazard Map *ERA5*-derived Wetbulb Globe Temperature return period dataset CSIRO Fuel load and Bushfire Risk RUSLE and RWEQ soil erosion models Atlas of Living Australia (species observation data including weeds and invasives)
	C5.1	Nature-related risks	Proportion and value of assets exposed to nature related: 1. *physical risks* and 2. *transition risks*	ABS commodity surveys
	C5.2	Nature-related risks	Proportion and value of assets/total annual revenue exposed to risks by risk ratings (for example, high, medium, low)	ABS commodity surveys
	C5.3	Nature-related risks	Proportion and total annual revenue/value of assets with substantial dependence on ecosystem services or with a high impact on nature	Historical precipitation records (e.g. BoM Australian Gridded Climate Data) Pesticide application density (e.g. PEST-CHEMGRIDS) ABS commodity surveys
	C6.0	Nature-related opportunities	Value of capital allocated to nature-related opportunities, by type of opportunity, with reference to a government or regulator green investment taxonomy	ENCORE

1 See The *TNFD* Nature-related Risk and Opportunity Management and Disclosure Framework Beta v0.4 Annex 4.3 Disclosure Metrics Annexes March 2023.
2 When disclosing on ecosystem types, refer to the IUCN Global Ecosystem Typology: https://global-ecosystems.org/.
3 Users may refer to the Science Based Targets Network High Impact Commodity List.

How we used ENCORE

ENCORE provides a qualitative view of materiality across 11 impact categories (impact drivers) and 21 dependency categories (ecosystem services) for the direct operations of economic processes, for example, 'airport services'. To determine materiality at the level of the sector, for example, transportation, these qualitative materiality thresholds were converted to quantitative scores before being aggregated. Impact and dependency scores were summed and normalised to identify high risk sectors. We chose to take the maximum materiality score for each impact and dependency ensuring processes associated with high material risks were visible when aggregated to the sector-level.

Policy priorities through our industry partners

CBA has worked with our industry partners on the following policy areas. These are areas of advocacy including progressing industry positions and participating in public consultations.

	Housing	Measurement and reporting
Key policy issue	• Insurance availability • Energy efficiency and building ratings	• Measuring *financed emissions* • Sustainable finance taxonomy • Mandatory sustainability and climate-related disclosures • Sector transition pathways • Data availability • *Nature* and *TNFD* reporting
Where it may impact our strategy	• Our retail customers • Our operations	• Our retail, business and agriculture customers • Our operations
How we engage	• Australian Banking Association (ABA)	• Australian Banking Association (ABA) • Business Council Australia (BCA) • Australian Sustainable Finance Institute

Reviewing our E&S commitments against industry association commitments

CBA E&S public commitments [1]	CBA	ABA position	BCA position
Supports net zero by 2050	✓	✓	✓
Supports action required to limit global temperature	✓	✓	✓
Supports implementation of mandatory climate reporting	✓	✓	✓

1 While we have identified alignment to the high-level objectives, our views may differ on the specific policies, technologies and actions to achieve these objectives.

Our Task Force on Climate-related Financial Disclosures content index

TCFD recommendation	CBA report section on current status
Governance	
Board's oversight of climate-related risks and opportunities	• Our approach to governance on page 31 • Board responsibility and climate expertise on page 32 • Executive remuneration on page 32
Management's role in assessing and managing climate-related risks and opportunities	• Executive Leadership Team governance forums in 2023 on page 33
Strategy	
Climate-related risks and opportunities identified over the short, medium and long term	• Our climate strategy on page 11
Impact of climate-related risks and opportunities on our businesses, strategy and financial planning	• Sector targets on pages 12–27 • How we see climate-related risk impacts on pages 38–39
Resilience of organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	• Our climate scenario analysis on pages 42–47
Risk	
Processes for identifying and assessing climate-related risks	• Identifying and assessing risks on pages 40–49
Processes for managing climate-related risks	• Managing and monitoring risks on pages 50–51
Integration of processes for identifying, assessing, and managing climate-related risks into the organisation's overall risk management	• Our approach to climate risk on page 37 • How we see climate-related risk impacts on pages 38–39
Metrics and targets	
Metrics used to assess climate-related risks and opportunities in line with our strategy and risk management process	• Performance summary on page 53 • Sector targets on pages 12–27
Scope 1, Scope 2, and, if appropriate, Scope 3 *GHG* emissions, and the related risks	• Financed emissions on pages 54–55 • Reducing our operational emissions on pages 58–61
Targets used to manage climate-related risks and opportunities and performance against targets	• Sector targets on pages 12–27 • Sustainability Funding Target on pages 56–57 • Appendix on pages 62–101

Glossary of terms

Term	Definition
1.5°C temperature ambition	Our 1.5˚C temperature ambition refers to the maximum global temperature change target which informs our sector-level financed emissions targets. In line with our NZBA commitments, our strategy is to set, by 2025, sector-level financed emissions targets for sectors that account for at least 75% of the bank's 2020 financed emissions using transition scenarios that see maximum global average temperature rises of 1.5˚C above pre-industrial levels by 2100.
2020 financed emissions	Our estimate of the Bank's financed emissions as at 30 June 2020. Our calculations cover 87% of our drawn lending exposures, of which 80% is aligned with the PCAF Standard. Refer to the 2022 Climate Report for more information.
Absolute emissions	GHG emissions, expressed in terms of weight of CO_2 (e.g., tCO_2) or weight of CO_2 equivalent (tCO_2-e) for a given scope/s.
ACCU	Australian Carbon Credit Unit.
Acute physical risk	Event-driven risks, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods.
AEMO	Australian Energy Market Operator.
AEMO ISP	Australian Energy Market Operator 2022 Integrated System Plan.
ANZSIC	Australia and New Zealand Standard Industrial Classification (1993).
ASB	ASB Banking Limited is a New Zealand bank and is a subsidiary of the Commonwealth Bank of Australia.
Attribution share or attribution factor	The share of total GHG emissions of the borrower or investee that are allocated to the loan or investments.
Bond facilitation	The arranging or lead management of primary market debt securities issuance. This does not include secondary trading of debt securities.
Biodiversity	The variability among living organisms from all sources, including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.
Carbon capture and storage	A process in which a relatively pure stream of carbon dioxide from industrial and energy-related sources is separated (captured), conditioned, compressed and transported to a storage location for long-term isolation from the atmosphere.
Carbon capture	A process in which carbon dioxide is captured.
Carbon credits	Carbon credits are measurable, verifiable emission reductions from certified climate action projects. These projects reduce, remove or avoid greenhouse gas (GHG) emissions.
Cementitious	Materials having the characteristics of cement.
Chronic physical risk	Long term shifts in climate patterns that may cause sea level rise or chronic heat waves.
Client	A customer who is relationship managed by the Group's Institutional or Business Bank with financing transactions $5 million or greater.
Climate Active	Climate Active is an ongoing partnership between the Australian Government and Australian businesses to drive voluntary climate action. Climate Active is the only government accredited carbon neutral certification scheme in Australia.
CO_2-e	Carbon dioxide equivalent (CO_2-e) is a measurement used to compare emissions from various greenhouse gases based on their global warming potential. Other gas amounts are converted into the equivalent amount of carbon dioxide to provide a single emissions metric. Conversion factors vary based on the underlying assumptions.
Coastal erosion	Coastal erosion (or shoreline retreat) is the loss of coastal lands due to the net removal of sediments from the shoreline.

Term	Definition
Corporate or Trade Finance	The provision of corporate or trade finance including: • corporate loans including acquisition, trade and bridge finance and reserve-based lending • export credit finance to a Client.
CRREM	Carbon Risk Real Estate Monitor.
CSIRO	Commonwealth Scientific and Industrial Research Organisation.
Decarbonise/ decarbonisation/ decarbonising	The process of significantly reducing or eliminating the emission of carbon dioxide and other greenhouse gas emissions into the atmosphere.
Delayed transition scenario	A scenario used to test our resilience to high transition risk, where we transition rapidly and disorderly after 2030, with medium physical risk.
Direct emissions	Emissions from sources that are owned or controlled by the reporting entity and/or the borrower.
Distributed solar	Solar electricity generated by households using rooftop systems. This contrasts with centralised generation where solar electricity is produced by a large plant and then distributed to consumers through a power distribution network.
E&S Framework	The E&S Framework 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 E&S Framework is underpinned by our internal Group Environmental and Social Policy and relevant business unit specific procedures. Our E&S Framework is available at commbank.com.au/policies.
Embodied carbon	The carbon emissions associated with materials and construction processes throughout the lifecycle of a building. Includes carbon released during extraction, manufacturing, transportation of materials, and construction practices used to construct the building.
Emissions factor	A figure provided by a credible third party that provides an estimated amount of CO_2 emitted for a specific activity, e.g. emissions per barrel of oil combusted. These can be multiplied with production figures to estimate emissions.
Emissions intensity metric	Emissions per a specific unit. There is a difference between economic intensity, e.g. tCO_2-e/$million financing, tCO_2-e/$million company revenue and 'physical intensity', which compares emissions to a unit of output, e.g. tCO_2-e/MWh, tCO_2-e/t-steel produced.
Emissions scopes	The GHG Protocol Corporate Standard classifies an organisation's GHG emissions into three scopes – Scope 1, Scope 2 and Scope 3 emissions. See glossary definitions for each on page 93.
Emissions	The production and/or release of greenhouse gas emissions.
ENCORE	Exploring Natural Capital Opportunities, Risks and Exposure is a tool to help users better understand and visualise the impact of environmental change on the economy. ENCORE was developed by the Natural Capital Finance Alliance in partnership with UN Environment Programme World Conservation Monitoring Centre (UNEP WCMC).
ERA5	Fifth generation (European Centre for Medium-Range Weather Forecasts) atmospheric reanalysis of the global climate.
ESG risk assessment tool	The ESG risk assessment tool is used by Institutional Banking & Markets and Business Banking to identify and assess the E&S risks customers are exposed to, assess the mitigating actions taken by customers to manage E&S risks and assess how lending to our customers aligns to the commitments made in our E&S Framework. For relevant transactions in 2023, ESG risk assessments were performed on all Institutional corporate lending and Business Banking customers with current or proposed lending greater than $1.5 million.
EVs	Electric vehicles.
Financed emissions	The emissions financed by a financial institution's loans and/or investments. They are estimated based on an attributed proportion of the financial institution's customers' emissions. These financed emissions are part of the financial institution's Scope 3, Category 15 emissions.
Firming capacity	Firming describes a mechanism for achieving reliability of supply by supplementing variable renewable energy.

Term	Definition
Firming technology	Technologies that provide firming capacity, such as natural gas, solar thermal, stored hydrogen, batteries and pumped hydro.
Fossil fuel extraction	For the Bank, this includes exposures to upstream oil and gas exploration and production, thermal coal mining, and metallurgical coal mining.
Gentailers	Combined retail and power generation companies.
Glidepath	A tool to set and articulate interim and long term aspirations with respect to emissions as they relate to a bank's financing activities.
Greenhouse gases (GHGs)	Greenhouse gases (GHGs) are the six gases listed in the Kyoto Protocol being carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF_6).
Harder-to-abate	Sectors where the reduction of carbon emissions or the transition to net zero by 2050 is either technologically or financially difficult.
Heavy industry	Steel, alumina, aluminium and cement.
Hydrogen electrolysers	A hydrogen electrolyser is a device that produces hydrogen by splitting water into hydrogen and oxygen using electricity.
IEA	International Energy Agency.
IEA NZE	The Net Zero Emissions by 2050 Scenario as published in the IEA's World Energy Outlook.
IEA SDS	The Sustainable Development Scenario as published in IEA's World Energy Outlook until 2021.
In-scope drawn lending	Drawn lending exposures which exclude exposures to finance and insurance, and government administration and defence ANZSICs. Portfolios not assessed include consumer finance and offshore commercial property.
Indirect emissions	Emissions that are a consequence of the activities of the reporting entity but occur at sources owned or controlled by another entity.
Internet of Things	A network of physical objects that have sensors, software and other technologies that enable them to connect and exchange data with other devices and systems over the internet or a closed network.
Inundation	Inundation, taken here to mean coastal inundation, is when sea water rises high enough that it floods infrastructure and buildings or endangers people's safety.
IPCC	Intergovernmental Panel on Climate Change.
Kunming-Montreal Global Biodiversity Framework	The Kunming-Montreal Global Biodiversity Framework (GBF) was adopted during the fifteenth meeting of the Conference of the Parties (COP 15) and sets out an ambitious pathway to reach the global vision of a world living in harmony with nature by 2050. Among the Framework's key elements are four goals for 2050 and 23 targets for 2030.
Land-use change	Land-use change involves a change from one land use category to another.
MPP	Mission Possible Partnership.
NABERS	National Australian Built Environment Rating System.
NatHERS	Nationwide House Energy Rating Scheme.
Net Zero Authority	The Australian Government is establishing a new authority to ensure the workers, industries and communities that have powered Australia for generations can seize the opportunities of Australia's net zero transformation.
Natural capital	The stock of renewable and non-renewable natural resources (e.g., plants, animals, air, water, soils and minerals) that combine to yield a flow of benefits to people, organisations (including financial institutions) and the environment.
Nature	The natural world, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment.
NGFS	Network for Greening the Financial System.
Non-retail	This refers to our Institutional Banking & Markets and Business Banking portfolios.
NZBA	Net-Zero Banking Alliance (NZBA) is an industry led initiative run by the UN which brings together banks committed to aligning their portfolio with net zero emissions by 2050.

Term	Definition
Operational emissions	Scope 1, 2 and selected Scope 3 emissions (excluding financed emissions) resulting from the operations of our business for the Commonwealth Bank of Australia Group, including ASB Bank Limited and other overseas operations.
Paris Agreement	The Paris Agreement, adopted within the United Nations Framework Convention on Climate Change in December 2015, commits all participating countries to limit global temperature rise to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C, to adapt to changes already occurring, and to regularly increase efforts over time.
Partnership for Carbon Accounting Financials (PCAF)	A global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the GHG emissions associated with their loans and investments.
Peril/peril events	A peril is a potential event or factor that can cause a loss, such as the possibility of a fire that could engulf a house.
Physical risks	Risks arising from damages or reduced asset values caused by extreme weather events such as floods, bushfires, storms and cyclones (acute risk), and longer-term shifts in climate patterns (chronic risk).
Physical scenarios (RCP)	The concentration of greenhouse gases in the atmosphere in a given scenario in line with the IPCC representative concentration pathway.
Powering the Regions Fund	The Australian Government will support the decarbonisation of existing industries and creation of new clean energy industries through the $1.9 billion Powering the Regions Fund (PRF). The PRF forms part of Powering Australia, the Government's plan for Australia to become a renewable energy superpower and meet the emission reduction targets of 43% below 2005 levels by 2030, and net zero emissions by 2050. The PRF will provide funding to help in the transition towards net zero emissions by focusing on four key areas: Decarbonising Existing Industries, Developing New Clean Energy Industries, Workforce Development, Purchasing Carbon Credits.
Production	The amount of output – in the relevant unit (e.g., barrels of oil, megawatt hours) – the counterparty has produced.
RAS	Group Risk Appetite Statement.
RCSA	Risk and Control Self-Assessment.
REC	Renewable Energy Certificate.
Reference scenario	A science based decarbonisation pathway at the global, regional or national level.
Renewable Energy Zone	Renewable Energy Zones are high-quality resource areas where clusters of large-scale renewable energy projects can be developed using economies of scale.
SBTi	Science Based Targets initiative.
Scope 1 and 2 emissions reduction target	The Scope 1 and 2 target is based on a 1.5°C trajectory, requiring 4.2% annual linear contraction. Emissions relate to the consumption of natural gas, stationary fuel, refrigerant and electricity used in retail, commercial and data centre properties under the Group's operational control, and business use of tool of trade vehicles. Australian electricity emissions are zero as the equivalent of 100% of our Australian operational electricity needs have been sourced from renewable sources. Market-based reporting is used for New Zealand and Other overseas electricity. Only electricity is included in other overseas emissions due to data limitations.
Scope 1 emissions	Greenhouse gas emissions released to the atmosphere as a direct result of an activity, or series of activities at a facility level. Scope 1 emissions are sometimes referred to as direct emissions.
Scope 2 emissions	Greenhouse gas emissions released to the atmosphere from the indirect consumption of an energy commodity.
Scope 3 emissions	Indirect greenhouse gas emissions other than Scope 2 emissions that are generated in the wider economy. They occur as a consequence of the activities of a facility, but from sources not owned or controlled by that facility's business.

Term	Definition
Scope 3 operational emissions reduction target	The Scope 3 target is based on a well below 2°C trajectory, requiring a 2.5% annual linear contraction. To ensure the baseline is representative of a typical year, Scope 3 business travel emissions are adjusted to FY19 values to normalise for the impacts of the COVID-19 pandemic. Includes indirect greenhouse gas emissions as a result of sources outside the Group's operational control, but support the Group's business activities. Base building, business use of private vehicles and work from home emissions are excluded. Due to data limitations New Zealand emissions exclude upstream stationary and transport fuels, and courier emissions. Only flight emissions are included for Other overseas due to data limitations.
Severe physical risk scenario	A scenario used to test our resilience to physical risk, where there is severe temperature increase resulting in severe physical risk.
Sea level rise (SLR)	Sea level rise is an increase in the level of the world's oceans due to the effects of global warming.
Soil erosion	Water and wind erosion causes the on-site loss of soil, nutrients, and organic matter, which results in decreased soil fertility and land productivity.
Solar PV systems	Solar photovoltaic system – solar panels.
Supplementary cementitious materials	Materials that can partly replace clinker in cement or can be used in concrete to partially replace cement.
Sustainability-Linked Loan	Sustainability-Linked Loans incentivise sustainability performance through tying financing costs to performance against pre-agreed social and environmental key performance indicators.
Thermal efficiency	A measure of the thermal performance of a building, based on the amount of heating and cooling required to keep it at a comfortable temperature.
TNFD	Taskforce on Nature-related Financial Disclosures.
TNFD LEAP	An approach developed by the TNFD. The LEAP approach is voluntary guidance intended to support internal, nature-related risk and opportunity assessments within corporates and financial institutions.
Toitū Envirocare	A provider of environmental certifications in New Zealand recognised and endorsed by NZ government.

Term	Definition
Toitū net carbonzero certification	ASB has achieved Toitū net carbonzero certification in FY23. The Toitū carbonzero certification programme was replaced by Toitū Envirocare in FY22. Toitū net carbonzero certified organisations now incorporates emission reductions as well as offsetting, going beyond simply offsetting emissions.
Total committed exposure (TCE)	TCE is defined as the balance outstanding and undrawn components of committed facility limits. It is calculated before collateralisation and excludes settlement exposures on derivatives.
Transition Plan	A plan that, at a minimum: • contains a time-bound decarbonisation plan which is aligned to the goal of the Paris Agreement to limit global warming to well below 2 degrees above pre-industrial levels; and • includes the Client's Scope 1, 2 and 3 emissions CBA will engage a third party to assess applicable Clients' Transition Plans against the above two requirements.
Transition risks	Risks arising from transitioning to a net zero emissions economy due to changes in domestic and international policy and regulation, technological innovation, social adaptation and market changes.
Transmission assets	Assets that relate to transmission infrastructure.
Transmission infrastructure	The infrastructure (towers and wires, underground cables, transformers, switching equipment, reactive power devices, and monitoring and telecommunications equipment) that is used in the transmission network.
UNEP FI	United Nations Environment Programme Finance Initiative.
Water stress/use	Water stress was informed by the World Resources Institute's baseline water stress model. Water stress is calculated from the ratio of total surface and groundwater withdrawals to available renewable water. Baseline year of this model is 2014.
WBGT	The WetBulb Globe Temperature (WBGT) is a measure of the heat stress in direct sunlight, which takes into account: temperature, humidity, wind speed, sun angle and cloud cover (solar radiation).

Sources

We have referred to external sources throughout our report to inform our views.

Page 7	1.	Australian Energy Market Operator: 2022 Integrated System Plan (June 2022) for the National Electricity Market; and Reedman, L.J., Gordon, J., Murugesan, M., Croser, L., Li, M., Hayward, J.A., Khandoker, T., Brinsmead, T.S. and Havas, L. 2022. Multi-sector energy modelling 2022: Methodology and results: Final report, CSIRO Report No. EP2022-5553, Australia; and Australian Energy Market Operator: Graham, P. 2022, Electric vehicle projections 2022, CSIRO, Australia.
Page 14	1.	Australian Government Department of Climate Change, Energy, the Environment and Water: Residential Buildings, https://www.energy.gov.au/government-priorities/buildings/residential-buildings.
	3.	SBTi Buildings Target-Setting Tool, Version 1, Draft for Public Consultation, May 2023, https://sciencebasedtargets.org/sectors/buildings.
Page 16	2.	IEA World Energy Outlook 2021.
Page 17	4.	Department of Industry, Science, Energy and Resources – Australian Energy Statistics 2023.
Page 20	1.	Department of Industry, Science, Energy and Resources – Australian Energy Statistics 2022, Page 9, Figure 3.
	2.	International Energy Agency: Australia 2023 Energy Policy Review, page 179.
	4.	IEA World Energy Outlook 2021.
Page 21	2.	IEA World Energy Outlook 2021.
Page 23	2.	IEA World Energy Outlook 2021.
Page 24	1.	Australian Paris Agreement National Inventory 2021.
Page 26	1.	Australian Government Department of Climate Change, Energy, the Environment and Water: 2022 Commercial Building Energy Consumption Baseline Study.
Page 27	1.	Global EV Outlook 2023: Catching up with climate ambitions (https://www.iea.org/reports/global-ev-outlook-2023) for other countries and National Electric Vehicles Strategy (dcceew.gov.au) for Australia.
Page 48	1.	Natural Capital Finance Alliance in partnership with United Nations Environment Programme World Conservation Monitoring Centre: Exploring Natural Capital Opportunities, Risks and Exposure, https://encore.naturalcapital.finance/en.

Important notices

Guidance on forward-looking statements and climate information

This report contains climate-related and other forward-looking statements and metrics, such as targets (including sector-level financed emissions targets, Scope 1 and 2 and Scope 3 operational emissions reduction targets and Sustainability Funding Targets), climate scenarios and emissions intensity pathways, estimated climate projections, forecasts and statements of the Group's current intentions. Any such forward-looking statements included in this report speak only as at the date of this report, 9 August 2023, and undue reliance should not be placed upon such 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 may differ materially from those expressed or implied in such statements. While the Group has prepared the information in this report based on its current knowledge and understanding and in good faith, it reserves the right to change its views in the future. Readers are cautioned not to place undue reliance on forward-looking statements particularly in light: of current economic uncertainties, recent bank failures (including the regulatory, government and central bank responses to stabilise the banking system), disruption caused by the ongoing impacts of the COVID-19 pandemic, and the conflict in Ukraine and geo-political uncertainty.

Words or phrases such as 'anticipate', 'effort', 'estimate', 'believe', 'budget', 'continue', 'could', 'expect', 'forecast', 'goal', 'guidance', 'intend', 'may', 'objective', 'outlook', 'plan', 'potential', 'predict', 'projection', 'seek', 'should', 'target', 'will', 'would' or similar expressions that convey the prospective nature of events or outcomes generally indicate forward-looking statements or other similar words, and include statements regarding the Group's intent, belief or current expectations with respect to the Group's business and operations, market conditions, results of operations and financial condition, capital adequacy and risk management. 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.

Forward-looking statements may also be made – verbally and in writing – by members of the Group's management in connection to this document. Such statements are also subject to the same limitations, uncertainties and assumptions which are set out in this report.

This guidance should be read together with:

- Page 74, Addressing uncertainty in climate modelling; and
- Page 75, Key sources of uncertainty and limitations.

The measures and forward-looking statements in this report reflect best estimates, assumptions and judgements at the date of this report. There is a risk that these judgements, estimates or assumptions may subsequently prove to be incorrect. Subject to applicable disclosure requirements, the Group is under no obligation to update any of the forward-looking statements contained within this report, whether to reflect any change in our expectations regarding any forward-looking statements, any change in events, conditions or circumstances on which any such statement is based, or otherwise. Forward-looking statements may be affected by a number of uncertainties and factors, including but without limitation:

- a lack of common definitions and standards for climate related-data;
- the availability and quality of historical emissions data;
- a lack of transparency and comparability of climate-related forward-looking methodologies;
- variation in climate-related approaches and outcomes;
- variations and other challenges in climate-related data and methodologies may lead to under or overestimates, and consequently present exaggerated indications of climate-related risks;
- limitations of climate scenario analysis and the models that analyse them;
- reliance on assumptions and future uncertainty (calculations of forward-looking metrics are complex and require many methodological choices and assumptions);
- uncertainty and changes to climate-related policy, laws and regulations including future legal proceedings and regulatory investigations;
- the complexity of calculation may require the assistance of one or more external data and methodology providers;
- 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 this report; and
- changes arising out of market practices and standards, including emerging and developing ESG standards.

Other notices

The material in this report is general background information about the Group and its activities current as at the date of the report, 9 August 2023. It is information given in summary form and does not purport to be complete. Information in this report 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 advisors in connection with any investment decision.

To: The Board of Directors of the Commonwealth Bank of Australia

Independent limited assurance report on selected Sustainability Funding and Sector-level Glidepath Subject Matter for the Commonwealth Bank of Australia (the Bank) and its controlled entities (together the Group) in its 2023 Climate Report.

The Board of Directors of the Commonwealth Bank of Australia engaged us to perform an independent limited assurance engagement in respect of selected Sustainability Funding Target and Sector-level Glidepath Subject Matter (the "**Subject Matter Information**") presented in the Group 2023 Climate Report (the "**Climate Report**").

Subject Matter Information and Criteria

We assessed the Subject Matter Information against the Criteria. The Subject Matter Information needs to be read and understood together with the Criteria. The Subject Matter Information comprises the following metrics and management assertions:

1. New and incremental financing for the 12 months ending 30 June 2023 ("**FY23 contributions**") of $14.1 billion to Sustainable Funding by Asset Class as presented in the table on page 57 of the Climate Report.
2. The following sector-level glidepath metrics presented on pages 14 to 23 of the Climate Report:
   a. Attributed emissions (Scope 1 and Scope 2) intensity for the preceding 12 months based on drawn lending exposure as at 30 June 2022 in the **Power Generation sector** of 170kgCO_2/MWh;
   b. Attributed absolute emissions of 0.3 Mt CO_2 for the preceding 12 months based on drawn lending exposure as at 30 June 2022 in the **Thermal Coal sector** comprising:
      i. Scope 1 and Scope 2 emissions of less than 0.1 MtCO_2;
      ii. Scope 3 emissions of 0.3 MtCO_2;
   c. Absolute emissions of 0.5 MtCO_2 for the preceding 12 months based on drawn lending exposure as at 30 June 2022 in the **Upstream Oil Extraction sector** comprising:
      i. Scope 1 and Scope 2 emissions of less than 0.1 MtCO_2;
      ii. Scope 3 emissions of 0.4 MtCO_2;
   d. Absolute emissions of 0.8 MtCO_2 for the preceding 12 months based on drawn lending exposure as at 30 June 2022 in the **Upstream Gas Extraction sector** comprising:
      i. Scope 1 and Scope 2 emissions of 0.1 MtCO_2;
      ii. Scope 3 emissions of 0.7 MtCO_2;
   e. Absolute emissions (Scope 1 and Scope 2) intensity for the preceding 12 months in the **Australian Housing sector**:
      i. 38.8 kgCO_2-e/m^2 based on drawn lending exposure as at 30 June 2021;
      ii. 35.6 kgCO_2-e/m^2 based on drawn lending exposure as at 30 June 2022;
   f. The following management assertions regarding attributed emissions for the preceding 12 months:
      i. There was no drawn lending exposure to the **Steel sector** as at 30 June 2021 or 30 June 2022;
      ii. **Alumina sector** emissions (Scope 1 and Scope 2 emissions) intensity was less than 1.7 tCO_2-e/tonne of aluminium production for drawn lending exposures as at 30 June 2021 and 30 June 2022;
      iii. **Aluminium sector** emissions (Scope 1 and Scope 2 emissions) intensity was more than 10% above 9.2 and 8.6 tCO_2-e/tonne of aluminium production for drawn lending exposures as at 30 June 2021 and 30 June 2022 respectively; and
      iv. **Cement sector** emissions (Scope 1 and Scope 2 emissions) intensity was less than 0.7 tCO_2-e/tonne of cement production for drawn lending exposures as at 30 June 2022.
3. Partnership for Carbon and Accounting Financials ("**PCAF**") quality scores calculated for the following sectors and presented on page 55 of the Climate Report:

Sector	Drawn lending exposures as at 30 June 2021	Drawn lending exposures as at 30 June 2022
Power Generation	Scope 1 & 2: 2.5	Scope 1 & 2: 2.0
Thermal Coal	Scope 1 & 2: 3.0 Scope 3: 3.0	Scope 1 & 2: 1.5 Scope 3: 3.0
Upstream Oil Extraction	Scope 1 & 2: 2.3 Scope 3: 2.8	Scope 1 & 2: 2.0 Scope 3: 2.5
Upstream Gas Extraction	Scope 1 & 2: 2.3 Scope 3: 2.8	Scope 1 & 2: 2.0 Scope 3: 2.5
Australian Housing	Scope 1 & 2: 4.3	Scope 1 & 2: 4.3
Heavy Industry	Scope 1 & 2: 2.0 Scope 3: 4.8	Scope 1 & 2: 1.5 Scope 3: 3.6

The criteria used by the Group to prepare the Subject Matter Information is set out as follows (the "**Criteria**"):

1. In the Sustainable Funding Target table presented on pages 78 to 80 of the Climate Report; and
2. In the Methodology presented on pages 64 to 73 of the Climate Report as it relates to sector-level glidepath metrics and PCAF quality scores.

The maintenance and integrity of the Group's website is the responsibility of the Group's management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Sustainability Information or Criteria when presented on the Group's website.

Our assurance conclusion is with respect to the years ended or periods as at, as outlined in the section 'Subject Matter Information and Criteria' above, and do not extend to information in respect of earlier periods reported in the Climate Report.

Responsibilities of Management

Management of the Group is responsible for the preparation of the Subject Matter Information in accordance with the Criteria. This responsibility includes:

- determining appropriate reporting topics and selecting or establishing suitable criteria for measuring, evaluating and preparing the underlying Subject Matter Information;
- ensuring that those criteria are relevant and appropriate to the Group and the intended users; and
- designing, implementing and maintaining systems, processes and internal controls over information relevant to the evaluation or measurement of the Subject Matter Information, which is free from material misstatement, whether due to fraud or error, against the Criteria.

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Our Independence and Quality control

We have complied with the ethical requirements of the Accounting Professional and Ethical Standard Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) relevant to assurance engagements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Australian Standard on Quality Management ASQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed and the evidence we have obtained.

Our engagement has been conducted in accordance with the Australian Standard on Assurance Engagements (ASAE 3000) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and ASAE 3410 Assurance Engagements on Greenhouse Gas Statements*. Those standards require that we plan and perform this engagement to obtain limited assurance about whether anything has come to our attention to indicate that the Subject Matter Information has not been prepared, in all material respects, in accordance with the Criteria, for the years ended or periods as at, as outlined in the section 'Subject Matter Information and Criteria' above.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion.

The procedures we performed in carrying out our limited assurance engagement were based on our professional judgement and included:

- Undertaking enquiries with Management regarding the process and controls for capturing, collating and reporting the Subject Matter Information;
- Agreeing a sample of lending exposures and their categorisation back to source systems and documentation;
- Agreeing a sample of external data used in the estimation and attribution of emissions to third party sources (i.e. customers financial and non-financial data), however our scope did not include performing assurance procedures over the underlying data provided by third-parties;
- Assessing the reasonableness of any material estimates made in preparing the Subject Matter Information;
- Reperforming a sample of calculations undertaken in preparing the Subject Matter Information and the appropriate application of the Criteria in those calculations;
- Reviewing the presentation and disclosure of the Subject Matter Information and Criteria in the Climate Report; and
- With respect to the Sector-level Glidepaths data, testing the application of PCAF scores to a sample of drawn lending exposures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. It is therefore possible that fraud, error or non-compliance may occur and not be detected. A limited assurance engagement is not designed to detect all instances of non-compliance of the Subject Matter Information with the Criteria, as it is limited primarily to making enquiries of Management and applying analytical procedures.

Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data. The precision of different measurement techniques may also vary. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, evaluation and measurement techniques that can affect comparability between entities over time.

It is acknowledged by stakeholders globally, including regulators, that there are significant limitations in the availability and quality of emissions data from third parties, resulting in the extensive use of proxy and third-party data. This limitation has resulted in the Partnership for Carbon Accounting Financials (PCAF) establishing a data quality score which has been included in the Group's Subject Matter. It is anticipated that the principles and methodologies used to measure and report the Subject Matter Information will develop over time and may be subject to change in line with market practice and regulation, impacting comparability year-on year.

The uncertainties and limitations are laid out in more detail in the Criteria.

The limited assurance conclusion expressed in this report has been formed on the above basis.

Our limited assurance conclusion

Based on the procedures we have performed, as described under 'Our responsibilities' section and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject Matter Information has not been prepared, in all material respects, in accordance with the Criteria for the years ended or periods as at, as outlined in the section 'Subject Matter Information and Criteria' above.

Use and distribution of our report

We were engaged by the Board of Directors of the Commonwealth Bank of Australia to prepare this independent assurance report having regard to the criteria specified by the Group and set out in this report. This report was prepared solely for the Board of Directors of the Commonwealth Bank of Australia for the purpose of providing limited assurance on the Subject Matter Information and may not be suitable for any other purpose.

We accept no duty, responsibility or liability to anyone other than the Group in connection with this report or to the Group for the consequences of using or relying on it for a purpose other than that referred to above. We make no representation concerning the appropriateness of this report for anyone other than the Group and if anyone other than the Group chooses to use or rely on it they do so at their own risk.

This disclaimer applies to the maximum extent permitted by law and, without limitation, to liability arising in negligence or under statute and even if we consent to anyone other than the Group receiving or using this report.

PricewaterhouseCoopers

PricewaterhouseCoopers

John Tomac

John Tomac
Partner

Sydney
9 August 2023

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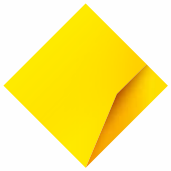
We have committed to prioritising the purchase of Australian Carbon Credit Units to offset the emissions from our annual Creporting. All emissions associated with the design and production of our 2023 Climate Report will be included in our Climate Active carbon neutral certification.

Design Communication and Production by ARMSTRONG



Commonwealth
Bank