



Commonwealth
Bank

Commonwealth Bank of Australia (UK) Staff Benefits Scheme – Implementation Statement for the year ending 30 June 2024

Commonwealth Bank of Australia

Public

Welcome to the Trustee's annual Implementation Statement outlining how the Trustee implemented the policies and practices contained in the Statement of Investment Principles (SIP) for the DC Section of the Commonwealth Bank of Australia (UK) Staff Benefits Scheme (the Scheme) on behalf of Scheme members during the year ending 30 June 2024.

Introduction

The Trustee has prepared this Implementation Statement in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the Pensions Regulator's General Code of Practice. It sets out how the Trustee has complied with the Commonwealth Bank of Australia (UK) Staff Benefits Scheme Stewardship Policy and SIP [Statement-of-Investment-Principles-DC-Section-December-2022.pdf \(commbank.com.au\)](https://commbank.com.au/Statement-of-Investment-Principles-DC-Section-December-2022.pdf) during the period 1 July 2023 to 14 May 2024.

Following the 30 June 2023 Scheme year end, all of the members' money purchase assets invested in the Scheme were transferred into the Legal & General WorkSave Mastertrust (the Mastertrust) in October 2023. The exception to this was four member accounts which were left within the Scheme for a short period until those members were transferred out of the Scheme to a separate arrangement (the final transfer out took place in May 2024).

Therefore, although this Implementation Statement covers the year to 30 June 2024, it only needs to:

- set out how, and the extent to which, in the opinion of the Trustee, the SIP has been followed during the year; and
- describe the voting behaviour by, or on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) during the year and state any use of the services of a proxy voter during that year.

Necessarily this will be limited to when the last DC member transferred out (i.e. 14 May 2024). We refer to the 1 July 2023 to 14 May 2024 timeframe as "the period" below.

Overall, the Trustee is satisfied that:

- The Scheme's investments were managed in accordance with the Scheme's Stewardship Policy during the period;
- The Scheme's investments were managed in accordance with the remainder of the Scheme's SIP; and
- The provisions of the SIP, including the default arrangement and other investment options, remained suitable for the Scheme's members.

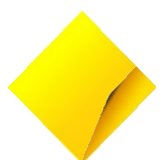
What is the Statement of Investment Principles (SIP)?

The SIP sets out the principles and practices the Trustee follows when governing the Scheme's investments. It describes the rationale for selecting the investment strategy and explains the risks and expected returns of the funds used, as well as the Trustee's approach to responsible investing (including climate change).

No changes were made to the SIP during the period. The Statement was last reviewed in December 2022 and no further changes were made since that date, given the move of most members to the Mastertrust in October 2023.

The Trustee has prepared this Implementation Statement on the basis of the SIP in force during the period 1 July 2023 to 30 June 2024.

You can find a copy of the Scheme's SIP at: [Statement-of-Investment-Principles-DC-Section-December-2022.pdf \(commbank.com.au\)](https://commbank.com.au/Statement-of-Investment-Principles-DC-Section-December-2022.pdf).



Investment Governance

The DC section of the Scheme provided members with benefits on a Defined Contribution (“DC”) basis (sometimes called money purchase benefits). This meant that the size of the benefits paid when members retire depended on how the funds performed and members’ contributions over the years. The sponsoring employer notified the Trustee in April 2023 of its intention to implement a new master trust arrangement for the DC benefits of members. The Trustee agreed that the benefits held within the existing Scheme would be transferred to the new arrangement and this transition took place in October 2023 (with the exception of the four member accounts as described above). On this basis, no major changes were made to the Scheme’s investments during the year, but the Trustee took advice from its DC advisers on the proposed transition to a master trust arrangement.

The Trustee has overall responsibility for how the Scheme’s investments are governed and managed, in accordance with the Scheme’s Trust Deed and Rules, as well as Trust Law, Pensions Law and Pension Regulations.

The Trustee elected to delegate some investment decisions, such as which underlying investments to buy and sell, to the individual underlying managers (Stewart Investors, First State, Legal & General Investment Managers, M&G and Baillie Gifford).

The Trustee ensured that its knowledge of investment matters remained current - DC current issues were flagged to the Trustee as and when appropriate, mindful of the planned move to the Mastertrust arrangement in Q4 2023.

Investment advisor objectives

The Trustee monitored how well the Scheme’s investment adviser met the objectives agreed with them, which were designed to align with the Trustee’s own objectives and investment strategy set out in the SIP. Due to the move to the Mastertrust in October 2023, the Trustee did not set new investment adviser objectives. The Trustee previously set the following objectives for the adviser:

- Deliver an investment approach for the default arrangement that maximises risk-adjusted real returns for members. Note that the concept of risk can change throughout a member’s career.
- Consideration of Environmental, Social and Governance (ESG) factors, including climate change, in so far as these pose a financially material risk to the Scheme’s members.
- Provide advice in relation to self-select range that incorporates sufficient choice for members to meet their own needs in terms of investment return, investment risk and retirement choices, reflecting member feedback where relevant.
- Provide advice on cost efficient implementation of the Scheme’s strategy, including but not limited to advice on the use of suitable benchmarks, active or passive management and selection of managers.
- Provide information and advice on a wide range of investment options to assist the Trustee to identify and understand the most appropriate range of asset classes and managers for the Scheme, and how they can be best implemented.
- Ensure our advice, the Trustee, and the Scheme, complies with relevant pensions regulations, legislation and supporting guidance.

The investment adviser objectives were previously reviewed on an annual basis with some of the objectives directly linked to wording in the Statement of Investment Principles. During the Scheme year the DC investment adviser was reviewed at a high level against these objectives and the Trustee was satisfied that their objectives were generally being met. No actions were recommended as the DC section was due to transfer out shortly after the Scheme year end.

How the default investment arrangement and other investment options were managed

The objectives and rationale for the default arrangement and other investment options (the Freestyle range) are set out on page 1 of the DC SIP.



The Trustee made no changes to the default arrangement or other investment options during the Scheme year, prior to the Scheme's move to the Mastertrust in October 2023.

During the 2023/24 Scheme year, the Trustee also:

- Ensured that the default arrangements complied with the charge cap;
- Monitored the investment performance of each fund relative to corresponding benchmarks and objectives;
- Monitored the research ratings of each fund (provided by the investment adviser) within the default arrangement and the 'freestyle' range of funds and ensured these remained suitable; and
- Monitored regulations pertaining to DC pensions and links to the suitability of investment strategy.

The expected risks and returns on your savings in the Scheme

The investment risks relating to the Scheme are set out on pages 3-4 of the DC SIP and the expected return on investment is set out on page 4.

The Trustee's views on the expected levels of investment risk and return informed decisions on the strategic asset allocation (i.e., what type of assets and areas of the world the Scheme invests in over the longer-term), and the style of management adopted by the Scheme.

Conflicts of Interest

The Trustee is mindful of potential conflicts of interest, and it was expected that investment managers are required to disclose any potential or actual conflict of interest to the Trustee. The Trustee expected the fund managers to invest the Scheme's assets in the members' best financial interests having taken into account financially material considerations.

The Trustee is satisfied that there were no material conflicts of interest during the year which might affect members' DC pots.

Fund Managers

The Trustee monitored the performance of the funds used by the Scheme by reviewing quarterly investment monitoring reports provided by the Scheme's DC Investment Adviser.

No changes were made during the Scheme year prior to the move to the Mastertrust in October 2023.

Manager incentives

The Trustee sought to ensure that the fund managers were suitably incentivised to deliver investment performance in keeping with the funds' objectives, by (i) conducting an annual Value for Members assessment, (ii) monitoring the investment managers' long-term and short-term performance against appropriate benchmarks on a risk and return basis, (iii) asking for explanations for any significant divergence from a fund's objectives and (iv) undertaking a review of the overall appropriateness of investment options at least every 3 years.

The Trustee is satisfied that the fund managers were suitably incentivised in line with their peers in terms of costs and charges to deliver good outcomes for the Scheme's members.

Portfolio turnover

Short-term changes in the level of turnover of the assets in which a fund is invested may be expected when a fund manager alters its investment strategy in response to changing market conditions. However, a change in the level of



portfolio turnover might indicate a shift in the amount of risk the fund manager is taking, which could mean that a fund is less likely to meet the objectives for which it was chosen by the Trustee.

The Trustee requested portfolio turnover for each of the Scheme's funds from the underlying funds' managers. The Trustee has considered this in the context of the investment performance and transaction costs of the fund. The Trustee is generally satisfied with the portfolio turnover rate for the Scheme's funds.

Below is a table of the turnover of funds in 2023 and 2024.

Fund name	1-year Turnover (%)	1-year Turnover (%)
	2023	2024
Baillie Gifford Global Alpha Growth Fund	16	20
Baillie Gifford Multi Asset Growth Fund	Unavailable*	26
First Sentier Global List Infrastructure	49	21**
First Sentier Greater China Growth	13	4**
First Sentier Global Property Securities	54	31**
L&G Ethical UK Equity Index	Unavailable*	13
L&G Future World Global Equity Index Fund	Unavailable*	34
L&G Future World Global Equity Fund	Unavailable*	4
L&G Future World Multi-Asset Fund	Unavailable*	31
L&G UK Equity Index Fund	Unavailable*	7
Stewart Investors Asia Pacific Leaders Sustainability Fund	11	23
Stewart Investors Worldwide Sustainability Fund	57	34
Stewart Investors Global Emerging Markets Leaders Fund	29	39

Source: Baillie Gifford, Legal & General and Stewart Investors

*In last year's statement Legal & General provided portfolio turnover data but not in the format required and as such the Trustee were unable to make a judgement on the turnover rate of their funds. However, this has been supplied for this statement.

**The portfolio turnover data provided by First Sentier for this year's statement is dated to 31 December 2023.



Realisation of investments

The Trustee aimed to ensure that members' contributions are invested promptly in the Scheme's default arrangement or other investment options, and that savings could be taken out from the funds used by the Scheme without delay.

Stewardship Policy

The Trustee believed it was important that the fund managers as shareholders or bond holders took an active role in the supervision of the companies in which they invested, both by voting at shareholder meetings and engaging with the management on major issues which affect a company's financial performance (and in turn the value of the Scheme's investments).

As the Scheme's investments were held at arms-length from the Trustee and members, the Trustee was not able to instruct the fund managers on how they should vote on shareholder issues. The Trustee nevertheless:

- Delegated the research into managers' voting policies and the exercising of these voting rights to ensure consistency with the Scheme's objectives to their investment advisers;
- Expected fund managers to vote in line with their 'house' policy and in a way which enhanced the long-term financial value of the funds in which the Scheme invested;
- Monitored how the fund managers exercised their voting rights.

The funds with voting rights attached that were available to members were as follows:

Default Fund Range

- Baillie Gifford Multi Asset Growth Fund
- L&G Future World Global Equity Fund
- L&G Future World Multi Asset Fund

Freestyle Range (funds in bold are also part of the default fund range)

- Baillie Gifford Global Alpha Growth Fund
- **Baillie Gifford Multi Asset Growth Fund**
- First Sentier Global Listed Infrastructure Fund
- First Sentier Global Property Securities Fund
- First Sentier Greater China Growth Fund
- L&G Global Equity Fixed Weights (50:50) Index Fund
- L&G UK Equity Index Fund
- L&G Ethical UK Equity Index Fund
- **L&G Future World Global Equity Fund**
- **L&G Future World Multi Asset Fund**
- Stewart Investors Asia Pacific Leaders Fund
- Stewart Investors Global Emerging Markets Leaders Fund
- Stewart Investors Worldwide Sustainability Fund

Funds with No Voting Rights Attaching to them

The following funds do not have voting rights attached to them:

- L&G Cash Fund
- L&G Over 5 Years Index-Linked Gilts Index Fund
- M&G All Stocks Corporate Bond Fund



Voting Activity

The Trustee sought to ensure that fund managers were exercising voting rights and, where appropriate, monitored managers' voting patterns. The Trustee also monitored votes cast by managers on particular companies or issues that affect more than one company.

The Scheme's fund managers reported on how votes were cast over the past year as set out below.

Baillie Gifford

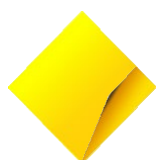
Fund Name	Baillie Gifford Global Alpha Growth Fund	Baillie Gifford Multi Asset Growth Fund
No. of meetings eligible to vote at during the year	90	47
No. of resolutions eligible to vote on during the year	1,189	547
% of resolutions voted	96.7%	94.9%
% of resolutions voted with management	93.5%	95.0%
% of resolutions voted against management	6.1%	3.7%
% of resolutions abstained	0.4%	1.4%
% of meetings with at least one vote against management	35.6%	23.4%

Source: Baillie Gifford

First Sentier

Fund name	FSSA Greater China Growth Fund	First Sentier Global Listed Infrastructure Fund	First Sentier Global Property Securities Fund
No. of meetings eligible to vote at during the year	66	43	72
No. of resolutions eligible to vote on during the year	620	601	679
% of resolutions voted	100.0%	100.0%	100.0%
% of resolutions voted with management	95.8%	80.0%	93.0%
% of resolutions voted against management	4.2%	13.0%	6.8%
% of resolutions abstained	0.0%	7.0%	0.0%
% of meetings with at least one vote against management	24.2%	53.0%	31.9%

Source: First Sentier



Legal & General

Fund name	LGIM FTSE4Good UK Equity Index Fund	LGIM Future World Global Equity Index Fund	LGIM Future World Multi-Asset Fund	LGIM Global Equity Fixed Weights 50:50 Index Fund	LGIM UK Equity Index Fund
No. of meetings eligible to vote at during the year	265	5,379	9,451	3,008	727
No. of resolutions eligible to vote on during the year	4,537	54,867	96,155	38,340	10,393
% of resolutions voted	99.5%	99.8%	99.8%	99.7%	99.8%
% of resolutions voted with management	94.6%	80.4%	76.4%	82.2%	94.3%
% of resolutions voted against management	5.3%	19.0%	23.1%	17.6%	5.7%
% of resolutions abstained	0.1%	0.6%	0.5%	0.3%	0.0%
% of meetings with at least one vote against management	38.8%	62.9%	73.7%	68.7%	39.0%

Source: Legal & General

Stewart Investors

Fund name	Stewart Investors Asia Pacific Leaders Sustainability Fund	Stewart Investors Global Emerging Markets Leaders Fund	Stewart Investors Worldwide Sustainability Fund
No. of meetings eligible to vote at during the year	74	83	59
No. of resolutions eligible to vote on during the year	508	743	662
% of resolutions voted	100.0%	100.0%	100.0%
% of resolutions voted with management	95.3%	93.4%	92.2%
% of resolutions voted against management	4.7%	2.3%	3.3%
% of resolutions abstained	0.0%	0.5%	0.2%
% of meetings with at least one vote against management	14.9%	20.0%	30.5%

Source: Stewart Investors



The resolution which Baillie Gifford voted against management the most on over the period was mainly in relation to:

- Remuneration

The resolutions which Legal and General voted against management the most on over the period were mainly in relation to:

- General governance
- Director election
- Compensation
- Audit Related



The Trustee also considered how the fund managers voted on specific issues. The Trustee considered ‘significant votes’ to be either companies with relatively large weightings in the funds members invested in, or where there were shareholder issues that aligned with the priorities we identified at the start of the year.

Date	Company	Subject (theme/summary)	Manager’s vote and rationale
28/02/2024	Apple Inc.	Environmental and Social: Report on risks of omitting viewpoint and ideological diversity from EEO Policy	A vote against is warranted by Legal & General as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts. Non-discrimination policies and including viewpoint ideology in EEO policies does not appear to be a standard industry practice.
21/05/2024	Shell Plc	Climate change: Approve the Shell Energy Transition Strategy	A vote against is applied by Legal & General. They acknowledged the substantive progress the company had made in respect of climate related disclosure over recent years, and they viewed positively the commitments made to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, as well as the pledge of not pursuing frontier exploration activities beyond 2025. Nevertheless, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and LNG business this decade, L&G expected the company to better demonstrate how these plans were consistent with an orderly transition to net-zero emissions by 2050. In essence, they sought more clarity regarding the expected lifespan of the assets Shell is looking to further develop, the level of flexibility in revising production levels against a range of scenarios and tangible actions taken across the value chain to deliver customer decarbonisation.
23/05/2024	NextEra Energy, Inc	Governance: Requesting a board diversity and qualifications matrix	Baillie Gifford supported the resolution as they believed that shareholders would benefit from additional description of expertise and relevance of those, rationale around contribution of each candidate, as well as disclosure on climate-related skills and qualification. They encouraged the company to disclose a sentence on unique skills and experience each director brings to the Board and inclusion of a standalone ESG expertise. Baillie Gifford notified the Company that they may consider escalation, if their repeated feedback was not addressed.

The Scheme's fund managers made use of the services of the following proxy voting advisers over the scheme year:

Manager	Proxy voting adviser
Baillie Gifford	Whilst Baillie Gifford are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), they do not delegate or outsource any of their stewardship activities or follow or rely upon their recommendations when deciding how to vote on their clients' shares. All client voting decisions are made in-house. Baillie Gifford vote in line with their in-house policy and not with the proxy voting providers' policies. They also have specialist proxy advisors in the Chinese and Indian markets to provide us with more nuanced market specific information.
First Sentier	First Sentier Investors use the proxy voting services of Glass Lewis. Their recommendations are considered as part of the team's decision-making process in relation to casting proxy votes. Glass Lewis maintains records of their proxy voting history.
Legal & General	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions.
Stewart Investors	Stewart Investors do not outsource voting decisions. However, they use Glass Lewis as a third-party provider to assist with proxy voting operations. Glass Lewis provide proxy research and voting solutions in a centralised online platform. They use them to collate all ballot information applicable to company meetings and are notified accordingly via their platform. Stewart Investors also use the centralised platform to instruct Glass Lewis on how they wish to vote in particular company meetings. Glass Lewis then distributes how Stewart Investors have elected to vote to the relevant sub-custodians across all our eligible funds. Glass Lewis also provides a research service. This research accompanies all communications to the Portfolio Managers when notifying them of a meeting and seeking their voting instruction. This non-binding research advice helps them to flag potential weaknesses in governance.

The Trustee is satisfied that the fund managers' voting record on the companies in which their funds invest was aligned with the stewardship policy described in the SIP

More information

We hope this Statement helps you understand how the Scheme's investment of your savings for retirement has been managed in the last year.

If you have any questions or feedback, please contact the Trustee.

