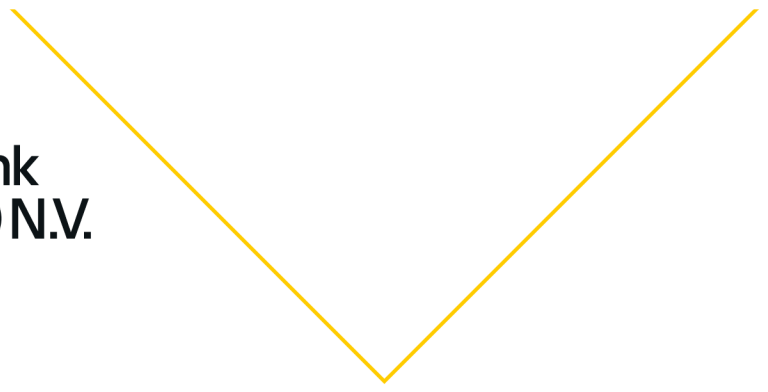


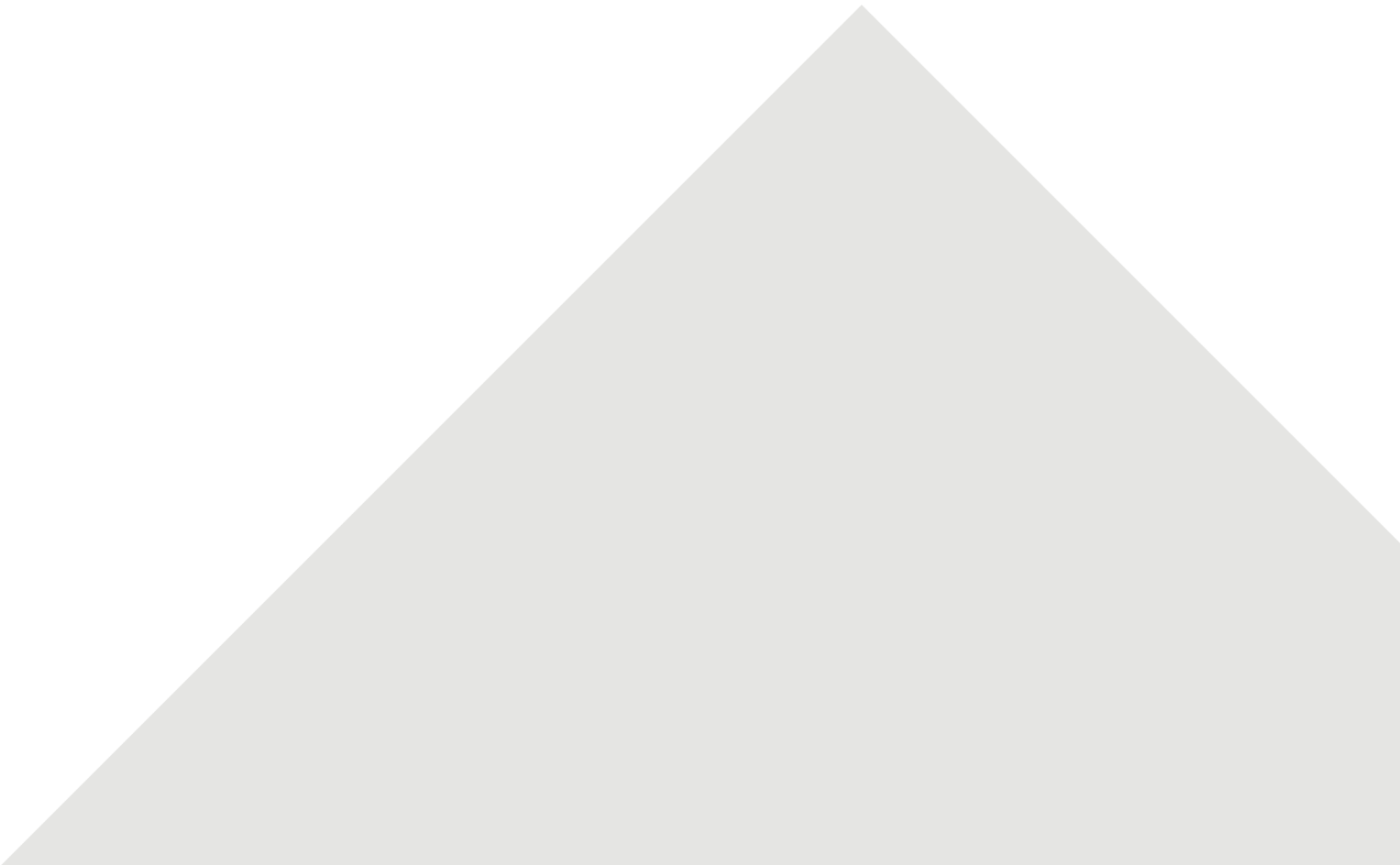


Commonwealth Bank
of Australia (Europe) N.V.



Comply or Explain Matrix - FY2021 Dutch Banking Code

December 2021



1. Introduction

The Bank and its principal activities

Commonwealth Bank of Australia (Europe) N.V. (“**CBA N.V.**” or the “**Bank**”) was incorporated on 26 October 2018 and is a public limited company (*Naamloze Vennootschap*) in the Netherlands. It is a wholly owned subsidiary of Commonwealth Bank of Australia (“**CBA Group**”), an Australian banking corporation.

On 1 December 2020, the Governing Council of the European Central Bank granted the Bank an authorisation as a credit institution (banking license), taking effect on 2 December 2020. On 26 May 2021, the first lending clients from CBA Group’s subsidiary in Malta were migrated to the Bank marking the commencement of lending banking activities.

Future-oriented Banking

In 2015 the Dutch Bankers’ Association (*Nederlandse Vereniging van Banken*) published a document called Future-oriented Banking. It introduced a social charter, an update of the then existing banking code and implemented a bankers’ oath (with the associated rules of conduct and disciplinary system).

The updated banking code (“Banking Code”) applies to all banks who have their registered offices in the Netherlands. The principles within the Banking Code emphasise the important role banks have in today’s society. CBA N.V. is committed to comply with the Banking Code. In this Comply or Explain Matrix (“**Matrix**”) you find an overview of the Banking Code’s principles and the manner in which they have been applied by CBA N.V. during its financial year 2021 ending on 30 June 2021.

Attestation

CBA N.V. will publish this on an annual basis, in conjunction with the publications of financial statements. This Matrix was approved by both the Management Board and Supervisory Board.



2. Matrix

Sound and ethical operation

To build and maintain its position as a stable and reliable partner, a bank must formulate its mission, strategy and objectives. These focus on the long term and are expressed in part in the bank's risk policy and the policy for sustainability and corporate social responsibility.

A bank chooses its positioning such that its commercial interests and social role are extensions of each other. This is also expressed in the bank's governance structure and guides the implementation of its policy based on its mission, strategy and objectives.

The executive board and supervisory board are – with due regard for each other's duties and powers – responsible for setting up a sound governance structure and compliance with the governance principles.

The members of these boards will set an example to all of the bank's employees and exhibit this in their day-to-day activities. The supervisory board will evaluate the way the members of the executive board are setting an example each year.

The executive board and supervisory board are – with due regard for each other's duties and powers – responsible for developing, communicating and enforcing standards on integrity, morals and leadership in the bank.

In addition, they ensure there are proper checks and balances and they safeguard a solid IT infrastructure that is vital for the functioning of the bank. Among other things, thorough checks and balances mean that the compliance function

CBA NV's activities are part of CBA Group's wholesale banking division, Institutional Banking and Markets ("IB&M"). The IB&M division serves the financial needs of large institutions and governments across Australia and New Zealand and in select international markets, such as Europe. In order to achieve its strategic ambitions, the Bank will offer a suite of products across Lending and Global Markets. The Bank is exposed to financial risks, non-financial risks and business risks arising from its operations. The Bank manages these risks through its Risk Management Framework ("RMF"). Key documents within the RMF are - among others – the Business Plan and the Risk Appetite Statement ("RAS"). Furthermore, the Bank adopted the ESG Policy that sets out the Bank's approach and commitment to managing the environmental and social impacts of the Bank's business activities and operations.

CBA NV operates under a two-tier board structure, with a Management Board that is supervised by the Supervisory Board. A sound governance framework has been established. The governance framework is documented in – among others – CBA NV's governance manual, the underlying policies and procedures and charters. These documents are in accordance with law, regulations and guidelines.

The Management Board and the Supervisory Board will annually assess the performance of the individual members and of the respective board as a collective. Furthermore, the Supervisory Board will assess the performance of the Management Board and its individual members.

The management Board incorporated a Code of Conduct, which reflect the core values of CBA NV. All staff needs to adhere to the Code of Conduct. The Code of Conduct has been approved by the Supervisory Board.

CBA NV implemented the 3-Lines of Accountability model ("**3-LoA Model**"). Under this 3-LoA Model proper checks and balances are part of the overall (risk) governance framework, as documented in the governance manual, the underlying policies and procedures and charters.



is also safeguarded within the executive board and supervisory board.

The executive board will promote responsible behaviour and a healthy culture both at the top of the bank and throughout its organisation. In this, it will consider the interests of the bank's customers and other stakeholders. The supervisory board supervises this.

A bank's culture must also express the assumptions in the Social Charter of the Dutch Banking Association. These must be embedded in the bank's organisation and the bank will include them in its contact with its stakeholders. It will provide an insight into the way in which the bank deals with the assumptions in the Charter.

All employees will comply with the formal regulations and self-regulation that apply to them. The executive board and supervisory board are – with due regard for each other's duties and powers – responsible for this. The executive board is responsible for employees being and remaining familiar with all rules, values and standards applicable to the bank and will continue to pay attention to this. The supervisory board supervises this.

Supervisory Board

The supervisory board will be composed in such a way that it is able to perform its tasks properly. It will form a risk committee and an audit committee. The members of the supervisory board will be prepared and able to make sufficient time available for their duties and exhibit effort and commitment. They will at the same time be critical and independent.

Each member of the supervisory board will be aware of the social role of a bank and of the interests of the various stakeholders.

There are specific competence and experience requirements for members of the supervisory board's risk and audit committees. Members of

The Compliance function is safeguarded in the Management Board and has a direct escalation line to the chair of the Supervisory Board.

Responsible behaviour and a healthy culture are very important within CBA NV and CBA Group. The expectations are reflected in the Code of Conduct. Furthermore, all staff, including members of the Management Board and Supervisory Board have taken the Bankers' Oath.

The assumptions of the Social Charter are incorporated in the charters, the Code of Conduct and the ESG Policy of CBA NV.

All staff of CBA NV are required to adhere to the Code of Conduct. Furthermore, all staff are required to take the Banking Oath. Finally, within CBA NV there is a continuous learning program to keep staff up to date.

The Supervisory Board is composed out of four members, two of them are independent. The current Supervisory Board members have been selected based on the best fit in terms of representation of the Bank's shareholders and technical expertise, as required by the Bank's statutory requirements, during this start-up phase of the Bank in the Netherlands. The Supervisory Board installed two subcommittees: the Nomination and Remuneration Committee and the Risk and Audit Committee.

This principle is incorporated in the charter of the Supervisory Board. Furthermore, all members of the Supervisory Board have a background in the financial sector and fully comprehend the social role of a bank and the interest of the various stakeholders.

Given the size of the organisation, the members of the Supervisory Board are also members of the Risk and Audit Committee. The members of the



the risk committee must have thorough knowledge of the financial aspects of risk management or the necessary experience to permit a thorough assessment of risks. Members of the audit committee must have thorough knowledge of financial reporting, internal control and audit or the necessary experience to permit thorough supervision of these subjects.

The chairman of the supervisory board will organise a programme of lifelong learning for all members of the supervisory board with the aim of maintaining their expertise at the required level and improving it where necessary. The learning programme will in any event cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards customers, integrity, IT infrastructure, risk management, financial reporting and audit. Every member of the supervisory board will take part in the programme and meet the requirements for lifelong learning. The assessment of the effectiveness of the programme of lifelong learning will be part of the annual evaluation performed by the supervisory board.

In addition to the supervisory board's annual self evaluation, the functioning of the supervisory board will be evaluated under independent supervision once every three years. The involvement of each member of the supervisory board, the culture within the supervisory board and the relationship between the supervisory board and the executive board will be part of this evaluation.

Each member of the supervisory board will receive appropriate compensation for the amount of time that he or she spends on supervisory board activities. This compensation will not depend on the bank's results.

Executive board

The executive board will be composed in such a way that it is able to perform its tasks properly. Each member of the executive board will be aware of the social role of a bank and of the interests of the various stakeholders.

Supervisory Board have been selected based on the best fit in terms of representation of the Bank's shareholders and technical expertise, as required by the Bank's statutory requirements.

In financial year 2021 the focus has been on acquiring the bank license and getting the Bank operational. The Bank commenced its banking activities as per 26 May 2021. The learning programme for the Supervisory Board members will commence in the financial year 2022.

The Supervisory Board will comply with this principle. However, the appointment of the Supervisory Board became effective as per the date the bank license was granted. The first self-evaluation will be performed in financial year 2022, the first self-evaluation under independent supervision is to be performed end of calendar year 2023.

CBA NV applies this principle in respect of remuneration of the members of the Supervisory Board.

In accordance with the Management Board charter, the Management Board is composed in such a way that it is able to perform its tasks properly with a focus on complementarity and diversity. Each member of the Management Board possess thorough knowledge of the financial sector in general and the banking sector in particular, the Bank's functions in society and of the interests of all parties involved in CBA NV.



One member of the executive board will have the duty of preparing decision-making by the executive board on risk management. This member will be involved in good time in the preparation of decisions that are of material significance for the bank's risk profile, especially where these decisions may result in a departure from the risk appetite approved by the supervisory board. This member may combine his or her function with other responsibilities, provided that he or she does not bear any individual commercial responsibility and operates independently from commercial areas. Risk management will also include a focus on the impact that systemic risk could have on the bank's risk profile.

The chairman of the executive board will organise a programme of lifelong learning for all members of the executive board with the aim of maintaining their expertise at the required level and improving it where necessary. The learning programme will in any event cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards customers, integrity, risk management, financial reporting and audit. Every member of the executive board will take part in the programme and meet the requirements for lifelong learning.

Risk policy

A bank's risk policy is characterized by a comprehensive approach, is transparent and has both a short- and long-term focus. The risk policy also takes reputational risks and non-financial risks into account.

A bank's executive board will be responsible for its risk policy and ensure proper risk management. The executive board will propose the risk appetite to the supervisory board for approval at least once a year. Any material changes to the risk appetite in the interim will also require the supervisory board's approval.

The supervisory board will supervise the risk policy pursued by the executive board. As part of its supervision, the supervisory board will discuss the bank's risk profile and assess at a strategic level whether capital allocation and liquidity requirements are generally in line with the approved risk appetite and whether operations in general are in line with the bank's risk appetite. In the performance of this supervisory role, the

Within the Management Board of CBA NV, the Chief Risk Officer ("**CRO**") is responsible for the risk function of the Bank. CBA NV applies the 3-LoA Model, under which the risk function is second line and the business function is first line. Under this 3-LoA Model the CRO does not bear individual commercial responsibility.

In financial year 2021 the focus has been on acquiring the bank license and getting the Bank operational. The Bank commenced its banking activities as per 26 May 2021. The learning programme for the Management Board members will commence in the financial year 2022.

The Management Board acts in accordance with the RAS that was approved by the Supervisory Board. The RAS is regularly updated and each update is again subject to the approval of the Supervisory Board. Furthermore, the risks of the Bank (including reputational risk and non-financial risks) are monitored through several committees that have been installed by the Management Board. This includes a Non-Financial Risk Committee.

Every quarter the Risk function reports to the Risk and Audit Committee. In accordance with the corporate governance the Management Board requires the approval of the Supervisory Board in respect of the strategy and the RAS.



supervisory board will be advised by its risk committee.

Audit

A bank's executive board will ensure that a systematic audit is conducted of the management of the risks related to the bank's operations.

The internal audit department will take the initiative in arranging talks with DNB (the Dutch central bank) and the external auditor at least once a year to discuss each other's risk analyses, findings and audit plans at an early stage. The bank's executive board and internal audit department will encourage these tripartite talks, aiming for a clear delineation of each other's duties and responsibilities.

Remuneration policy

The bank will implement a detailed, restrained and long-term remuneration policy that is unambiguous and transparent and in line with national and international regulations.

The remuneration policy will have a primarily long-term focus and be in line with the bank's risk policy. It will incorporate an internal and external balance of interests, taking into account the expectations of the various stakeholders and social acceptance. It will also take the relevant international context into account. The bank will implement a detailed, restrained and long-term remuneration policy that is unambiguous and transparent and in line with national and international regulations.

The total income of a member of a bank's executive board will at the time it is set be below the median for comparable positions inside and outside the financial industry, taking into account the relevant international context. The variable remuneration of a member of the executive board will be set in accordance with national and international regulations.

In accordance with the 3-LoA Model, CBA NV installed an Internal Audit function. Internal Audit conducts audits, in accordance with the annual audit plan that has been approved by the Supervisory Board.

In accordance with the Internal Audit charter, the Internal Auditor represents the Internal Audit function the tripartite meetings with DNB and the External Auditor. Given the start-up phase the Bank was in financial year 2021, CBA NV has been in close contact with DNB. The first tripartite meeting between internal audit, external audit and DNB will be scheduled in financial year 2022.

The Management Board incorporated a remuneration policy that is aligned with the remuneration policy of CBA Group but subject to local laws, regulations and guidelines applicable in the Netherlands. The remuneration policy has been approved by the Supervisory Board.

CBA NV applies this principle in respect of remuneration of the members of the Management Board.

