Statement of Investment Principles for the Commonwealth Bank of Australia (UK) Staff Benefits Scheme ("the Scheme")

DB Section

This is the Statement of Investment Principles (the "Statement") made by the Commonwealth Bank of Australia (UK) Staff Benefits Scheme Trustee Company Limited, (the "Trustee") as Trustee to the Defined Benefit Section of the Commonwealth Bank of Australia (UK) Staff Benefits Scheme (the "Scheme") in accordance with the Pensions Act 1995 (as amended). The Statement is subject to periodic review at least every three years and without delay after any significant change in investment policy or regulatory requirements.

In preparing this Statement, the Trustee has consulted with the employer to the Scheme and has taken and considered written advice from the Investment Practice of Lane Clark & Peacock LLP.

Scheme Objective

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

The Trustee's over-riding funding principles for the Scheme are to set the investment strategy and the level of the employer contribution which are sufficient:

- To build up assets to provide for new benefits of active members as they are earned;
- To recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term; and
- To ensure that there are always sufficient assets of the Scheme (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

For employee members, benefits are based on service completed but take account of future salary increases. The value of liabilities is calculated on the basis agreed by the Trustee and the Scheme Actuary. The funding position is monitored regularly by the Trustee and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

Investment Strategy

The Trustee has translated its objectives into a suitable strategic asset allocation benchmark for the Scheme, investing 23.0% in income assets and 77.0% in protection assets. The strategic benchmark is reflected in the choice and mix of funds in which the Scheme invests. The Scheme benchmark is consistent with the Trustee's views on the appropriate balance between seeking an enhanced long-term return on investments and accepting greater short-term volatility and risk.

The investment strategy takes due account of the maturity profile of the Scheme (in terms of the relative proportions of liabilities in respect of pensioners and non-pensioner members), together with the level of disclosed surplus or deficit (relative to the funding bases used) and the Trustee's view of the covenant of the principal employer.

The Trustee monitors strategy relative to its agreed asset allocation benchmark. It is intended that investment strategy will be reviewed at least every three years following actuarial valuations of the Scheme, and will normally be reviewed annually. Written advice is received as required from professional advisers.

The Trustee monitors the performance of Scheme investments relative to agreed criteria on a regular basis. The Trustee has delegated all day to day investment decisions to authorised investment managers.

Choosing Investments

Given the size and nature of the Scheme, the Trustee has decided to invest on a pooled fund basis; any such investment is effected through a direct agreement with an investment manager and/or through an insurance contract. The investment managers appointed by the Trustee are authorised under the Financial Services and Markets Act 2000 to undertake investment business. Investment in funds is subject to the funds having a track record of at least three years, however the Trustee reserves the right to waive the criteria in appropriate circumstances.

Some of the pooled funds in which investment is made are managed on an active basis, whilst others are managed on a passive (or index tracking) basis. The manager of the active fund seeks to exceed the performance of the stated benchmark or target of the fund. The manager of the passive funds seeks to match, rather than exceed, the performance of a benchmark index by investing in assets in such a way as to replicate, as closely as possible, the composition of the benchmark index.

The Trustee is satisfied that these arrangements are consistent with the objectives of the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

The Trustee reviews the nature of Scheme investments on a regular basis, with particular reference to suitability and diversification. The Trustee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Trustee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification. While it may not be possible to quantify all risks and rewards, the Trustee will not invest in any security or product it does not understand.

Kinds of Investments to be Held

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Scheme may also make use of derivatives (or in pooled funds investing in these products) for the purpose of efficient portfolio management or to hedge specific risks. The Trustee considers all of these classes of investment to be suitable in the circumstances of the Scheme.

Balance between different kinds of investments

The Scheme's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks or return targets. Within each major market, each manager will maintain a diversified portfolio of assets.

The manager of the passive funds in which the Scheme invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

Risk

The Scheme is exposed to a number of risks which pose a threat to the Scheme meeting its objectives. The principal risks affecting the Scheme are:

Funding risks

- Financial mismatch

    1. The risk that Scheme assets fail to grow in line with the developing cost of meeting the liabilities.

2 The risk that unexpected inflation increases the pension and benefit payments and Scheme assets do not grow fast enough to meet the increased cost.

- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of the Scheme benefits.

- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Scheme's liabilities.

The Trustee measures and manages financial mismatch in two ways. As indicated above, the Trustee has set a strategic asset allocation benchmark for the Scheme (23.0% income, 77.0% protection). The Trustee assesses risk relative to that benchmark by monitoring the Scheme's asset allocation and investment returns relative to the benchmark. The Trustee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Trustee keeps mortality and other demographic assumptions, which could influence the cost of benefits, under review. These assumptions are considered formally at triennial valuations.

The Trustee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

- Illiquidity - The risk that the Scheme cannot meet its immediate liabilities because it has insufficient liquid assets. At current time the Scheme does not hold investments in illiquid assets. The Scheme's least liquid holding is the M&G Alpha Opportunities Fund, which is dealt on a monthly basis. The Scheme is closed to new entrants and over time as the Scheme matures, contributions (particularly deficit contributions) are expected to fall further and benefit payments are expected to rise further over time, meaning the Scheme is expected to revert to the cashflow negative position. At some point in the future, a large proportion of the investments will need to provide regular income to ensure that regular outgo is covered and the Scheme will need to hold sufficient liquid assets to meet unanticipated outgo and avoid forced sales of assets at potentially unfavourable prices.

- Currency risk – The risk that the currency of the Scheme's assets underperforms relative to Sterling (i.e. the currency of the liabilities).

- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Trustee manages asset risks as follows. The Trustee provides a practical constraint on Scheme investments deviating greatly from the intended approach by investing in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within their expected parameters. By investing across a range of assets, the Trustee recognises the need for some access to liquidity in the short term. The risk of manager underperformance is mitigated to some extent by the inclusion of passive investment mandates within the investment portfolio. In appointing several investment managers, the Trustee has considered the risk of underperformance by any single investment manager.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Trustee seeks professional advice.

- Custody risk - The risk of losing economic rights to Scheme assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.

The Trustee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Scheme, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds).

Expected Returns on Investments

The investment strategy aims to achieve a return on Scheme assets which taken in conjunction with contributions is sufficient over time to match growth in the Scheme's pension liabilities.

Realisation of Investments

The majority of the Scheme's investments may be realised quickly if required.

Manager incentives

Manager remuneration for each fund is determined prior to initial investment. It is based on commercial considerations and typically set on an ad valorem basis. The complete basis of remuneration of the investment managers may be subject to commercial confidentiality, however, the Trustee will seek transparency of all costs and charges borne by members.

When selecting funds, the Trustee will ask their investment adviser to consider the investment managers' fees and appropriateness of each fund's benchmarks, investment objectives and guidelines in relation to those fees. Ongoing assessment is carried out in the following ways:

- The Trustee monitors the investment managers' long-term (at least 3 years) and short-term (e.g. quarterly) performance against appropriate benchmarks or targets on both a risk and return basis. The investment adviser will provide a qualitative rating for each fund / manager that helps the Trustee determine whether to continue holding the fund / manager or whether to terminate the fund / manager.
- The investment managers are expected to provide explanations for any significant divergence from a fund's objectives. The investment adviser will assess whether these explanations are appropriate.
- The Trustee also undertakes a review at least every three years of the overall appropriateness of the investment strategy.

Portfolio turnover

The Trustee does not expect the Scheme's underlying investment managers to take excessive short-term risk and will monitor the investment manager's performance against the benchmarks and objectives on a short, medium and long-term basis.

While the Trustee expects performance objectives to be met net of all fees and charges, including the costs of transacting within the portfolio, the Trustee will ask the investment managers to report on at least an annual basis on the underlying assets held within the fund with details of any transactions and turnover costs incurred over the Scheme's reporting year.

Where a fund has significantly under or outperformed its benchmark, the Trustee will seek to ascertain where necessary whether higher or lower than normal turnover has been a contributory factor. The Trustee will challenge the investment manager if there is a sudden change in portfolio turnover of if the level of turnover seems excessive relative to that manager's investment style and process.

Portfolio duration

The Trustee chooses funds which are expected to deliver sustainable returns over the Scheme's investment horizon. The Trustee will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the objectives within the investment strategy.

Turnover of funds will generate transaction costs for the Scheme and turnover should not necessarily be as a result of short-term underperformance relative to benchmarks.

Social, Environmental and Governance Considerations

Consideration of financially material factors in investment arrangements

The Scheme is a long term investor, which aims to deliver a sustainable pension fund ensuring that it is affordable, delivers financially to meet the objectives of the Scheme employers and is invested responsibly.

The Trustee's fiduciary responsibility is to act in the best interest of its members. The Trustee recognises that environmental, social and governance issues can both adversely and positively impact on the Scheme's financial performance and should be taken into account in the funding and investment strategies. Accordingly, the Trustee integrates the consideration of environmental, social and governance (ESG) issues throughout the funding and investment decision making process.

Each fund manager is required to submit an annual report to the Trustee, to outline any ESG considerations or analysis that have arisen, and to explain any controversial investments, as well details on engagement and voting.

The Trustee expects its appointed fund managers to support and apply internationally accepted standards of responsible investment practice including being a signatory to the PRI and to provide the Trustee with their annual assessment ratings and statements of compliance.

Consideration of non-financially material factors in investment arrangements

There are no exclusions or restrictions applied to investment arrangements based on non-financially material factors.

Climate Risk Policy

The Trustee believes that climate change presents a global systemic risk to ecological, societal and financial stability. Climate change therefore has the potential to impact the Scheme's beneficiaries in a number of ways including the value of the Scheme's assets.

Managing Climate Risk

The Trustee has not made explicit allowance for climate change in framing its strategic asset allocation, however as the Scheme's assets are managed and advised by third parties, the Trustee expects its delegated asset managers to:

- Integrate climate risk and opportunities in their investment strategies, and make progress towards understanding and taking action on the climate risks in the Scheme's chosen portfolios and provide evidence this through specific examples in manager review meetings and annual reports.
- Actively engage, with specific objectives and key performance indicators, with highly, (above benchmark average), carbon intensive companies in portfolios and provide this analysis on a regular basis (no less than annually) to the Trustee.

- Seek out alternative (non-fossil fuel) sources of energy and invest in them where risk/return justifies such investment.
- Engage with investee companies to promote the adoption of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.
- Use proxy voting to support the Schemes Climate Risk and ESG Policies with investee companies and support shareholder resolutions, and co-filings where practicable and provide the Trustee with an annual report on climate related proxy voting activity.

The Trustee also expects its professional advisers to:

- Have a publically available climate risk policy, and;
- Provide the Trustee with regular updates as to how their own advice, tools, processes and skills and knowledge support the Scheme's policy with respect to managing the financial implications of climate change.

Corporate Governance and Proxy Voting

Before appointment, the Scheme's fund managers have to confirm that they subscribe to the principles of good corporate governance and, when voting at company AGMs, take them into account.

In respect of investments in the UK this requires its managers to have due regard to the UK Corporate Governance Code and, in respect of overseas investments, have due regard to relevant recognised standards. The Trustee also requires its managers to apply (and confirm annually that they do so) the UK Stewardship Code or similar applicable standards for overseas managers.

We note the Scheme no longer invests in equity funds, making any policies around voting decisions less relevant.

Conflicts of interest

When choosing investment managers' funds, the Trustee will seek to establish that each investment manager has an appropriate conflicts of interest policy in place. It is expected that investment managers are required to disclose any potential or actual conflict of interest to the Trustee.

When provided with any conflicts, the Trustee will consider the impact of these arising in the management of the funds used by the Scheme. However, overall responsibility for investment decisions and management of conflicts at an investment level has been delegated to the Scheme's underlying investment managers.

Additional Voluntary Contributions (AVCs)

The Trustee gives members the opportunity to invest in AVC vehicles at the member's discretion via the funds that are available under the Defined Contribution section of the Scheme.

This statement has been agreed by the Trustee for and on behalf of the Commonwealth Bank of Australia (UK) Staff Benefits Scheme Trustee Company Limited

Appendix 1 – DB Manager Arrangements

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Details of the funds in which the Scheme invests at the effective date of this SIP are set out in the table below. Please note that the investments to Gilt and Index-linked Gilt funds may change from time to time to reflect the Trustee's objectives to match the profile of the Scheme's expected benefit payments.

<table>
<tr><th>Manager</th><th>Asset Class</th><th>Fund</th><th>Benchmark</th></tr>
<tr><td rowspan="32">Legal & General ("L&G")</td><td>Cash</td><td>Sterling Liquidity Fund</td><td>7 day LIBID</td></tr>
<tr><td rowspan="11">Passive Gilts, Index-Linked Gilts</td><td></td><td></td></tr>
<tr><td>2027 Gilt</td><td>2027 Single Stock</td></tr>
<tr><td>2034 Gilt</td><td>2034 Single Stock</td></tr>
<tr><td></td><td></td></tr>
<tr><td>2065 Gilt</td><td>2065 Single Stock</td></tr>
<tr><td>2027 Index-Linked Gilt</td><td>2027 Single Stock index Linked</td></tr>
<tr><td>2037 Index-Linked Gilt</td><td>2037 Single Stock index Linked</td></tr>
<tr><td>2047 Index-Linked Gilt</td><td>2047 Single Stock index Linked</td></tr>
<tr><td></td><td></td></tr>
<tr><td>2055 Index-Linked Gilt</td><td>2055 Single Stock Index Linked</td></tr>
<tr><td></td><td></td></tr>
<tr><td rowspan="13">Passive Leveraged Gilts, Index-Linked Gilts</td><td>2038 Leveraged Gilt</td><td>Leveraged Return of 2038 Gilt</td></tr>
<tr><td>2042 Leveraged Gilt</td><td>Leveraged Return of 2042 Gilt</td></tr>
<tr><td>2049 Leveraged Gilt</td><td>Leveraged Return of 2049 Gilt</td></tr>
<tr><td>2055 Leveraged Gilt</td><td>Leveraged Return of 2055 Gilt</td></tr>
<tr><td>2060 Leveraged Gilt</td><td>Leveraged Return of 2060 Gilt</td></tr>
<tr><td>2068 Leveraged Gilt</td><td>Leveraged Return of 2068 Gilt</td></tr>
<tr><td></td><td></td></tr>
<tr><td></td><td></td></tr>
<tr><td>2034 Leveraged Index-Linked Gilt</td><td>Leveraged Return of 2034 Index-Linked Gilt</td></tr>
<tr><td>2037 Leveraged Index-Linked Gilt</td><td>Leveraged Return of 2037 Index-Linked Gilt</td></tr>
<tr><td>2042 Leveraged Index-Linked Gilt</td><td>Leveraged Return of 2042 Index-Linked Gilt</td></tr>
<tr><td>2062 Leveraged Index-Linked Gilt</td><td>Leveraged Return of 2062 Index-Linked Gilt</td></tr>
<tr><td>2068 Leveraged Index-Linked Gilt</td><td>Leveraged Return of 2068 Index-Linked Gilt</td></tr>
<tr><td>M&G</td><td>Multi Credit</td><td>Alpha Opportunities Fund</td><td>1 month LIBOR +3%-5% p.a.</td></tr>
</table>

Scheme Allocation

The table below sets of the target allocations for the DB Scheme assets.

Strategic Allocation

Asset class	Target Proportion % (excluding IPA[1])
Income	23.0
Protection	77.0
Total (excluding IPA[1])	**100.0**

[1]Insured Pension Assets

Manager Allocation

Fund	Target Allocation %
M&G Alpha Opportunities Fund	23.0
L&G Gilts	74.0
L&G Index Linked Gilts	
L&G Leveraged Gilts	
L&G Leveraged Index-Linked Gilts	
L&G Sterling Liquidity Fund	3.0
Total (excluding IPA)	**100.0**

Statement of Investment Principles for the Commonwealth Bank of Australia (UK) Staff Benefits Scheme ("the Scheme")

DC Section

This is the Statement of Investment Principles (the "Statement") made by the Commonwealth Bank of Australia (UK) Staff Benefits Scheme Trustee Company Limited, (the "Trustee") as Trustee to the Defined Contribution Section of the Commonwealth Bank of Australia (UK) Staff Benefits Scheme (the "Scheme") in accordance with the Pensions Act 1995 (as amended). The Statement is subject to periodic review at least every three years and without delay after any significant change in investment policy or regulatory requirements.

In preparing this Statement, the Trustee has consulted with the employer to the Scheme and has taken and considered written advice from the Investment Practice of Hymans Robertson LLP.

Scheme Objective

The primary objective of the Defined Contribution Section of the Scheme is to provide, on a defined contribution basis, benefits for members on their retirement or benefits for their dependents on death before retirement.

The Trustee provides members with a range of investment options, recognising that:

- Members have differing investment needs and that these needs change during the course of their working lives; and
- Attitudes to investment risks, and the need for investment returns, will vary from member to member and will also vary for each member over time, in particular as they approach retirement.

The Trustee has undertaken a review of the DC Section's default strategy with a view to delivering better outcomes for members and their beneficiaries at retirement following the introduction of the charge cap in the April 2015 budget.

The Trustee believes that it is in the best interests of members to operate a default option which manages the principal investment risks members face during their membership of the DC Section. Further to the pension flexibilities introduced in the 2014 budget, the Trustee concluded that it was no longer appropriate to offer a default strategy that targeted an annuity purchase at the point of retirement. Following the review, the Trustee implemented a multi-asset fund throughout the savings period as the new default option. This is believed to be appropriate to meet the needs of a majority of the membership. Members who choose not to go into the default option can invest on a "self-select" basis (the fund available within the default option is also available in the self-select fund range).

In arriving at the revised default strategy, the Trustee has taken into account the return profile of the investments within the default option and the DC charge cap, as well as the additional complexity and administrative cost of introducing any additional funds within the default strategy.

Investment Strategy

The Trustee has appointed investment managers who are authorised under the Financial Services and Markets Act 2000 to undertake investment business to provide the funds in which the assets of the Defined Contribution Section are invested.

Members' contributions are, in the absence of instructions to the contrary, invested according to the default fund, whereby investment is made in the multi-asset fund throughout the savings period.

The Trustee recognises that the default option will not meet the needs of all members, and so a 'freestyle' range of funds is also available providing members with investment choice. These comprise equity and bond funds, a property fund, an absolute return fund and a cash fund. The Trustee acts in the best interest of all beneficiaries, and investment decisions are made by reference to all membership groups.

The Trustee has agreed the performance benchmark and the various controls adopted by each fund in which members can invest. These reflect the Trustee's views on the appropriate balance between maximising the long-term return on investments and minimising short-term volatility and risk. It is intended that the range of funds will be reviewed on a regular basis.

The Trustee monitors investments on a regular basis. Advice is received as required from professional advisers. In addition, the Trustee reviews the performance of Scheme investments on a quarterly basis.

Choosing Investments

Investment is made on a pooled basis, which the Trustee believes is appropriate given the size and nature of the Scheme. Investment in funds is subject to the funds having a track record of at least three years, however the Trustee reserves the right to waive the criteria in appropriate circumstances.

Some of the pooled funds in which investment is made are managed on an active basis, whilst others are managed on a passive (or index tracking) basis. The manager of an active fund seeks to exceed the performance of the stated benchmark or target of the fund. The manager of a passive fund seeks to match, rather than exceed, the performance of a benchmark index by investing in stocks in such a way as to replicate, as closely as possible, the composition of the benchmark index.

The Trustee is satisfied that the assets held in each fund are suitable in relation to the needs of members.

Kinds of Investments to be Held

Depending on the nature of each fund, the investment manager may invest in UK and overseas investments including equities, fixed and index linked bonds and cash, and the derivatives thereof. Within each fund, the proportions held at any time in each asset class or geographic region will reflect the manager's views relative to the benchmark for that fund.

The Trustee's choice of funds, and hence choice of approaches to aspects such as responsible investment and shareholder engagement, are constrained by the choice of funds available on a provider's investment platform. While the Trustee will endeavour as far as possible to select investment platform providers and funds on that provider's platform which are consistent with the Scheme's investment objectives, this needs to be balanced against the wider benefits of accessing investment platforms that provide Value for Members – this includes other services from the investment platform provider and not just their fund range.

The Trustee will seek to engage with their investment platform providers to obtain funds which meet the Trustee's investment beliefs, and are expected to improve outcomes for members, but this is subject to the underlying fund being commercially viable for the provider and consistent with the charge cap for any default arrangements.

The Trustee will periodically review the choice of the investment platform provider, at which time the suitability of the provider's fund range and effectiveness of its governance of the investment managers on its platform will be key criteria.

Balance between different kinds of investments

Each fund has a defined benchmark or objective and the Trustee is satisfied that the benchmark or objective, taken in combination with other fund choices available, is appropriate for different categories of members.

Risk
The Trustee provides a practical constraint on Scheme investments deviating greatly from the intended approach by investing in a range of pooled funds each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within the Trustee's expected parameters.

Expected Return on Investments
The Trustee is satisfied that the objectives of the default fund as well as the equity, property, resources and absolute return funds would be expected to allow them to achieve an attractive real return over the long term. The objective of the cash and bond funds is to provide for the payment of the tax-free lump sum on retirement (for members who choose to do so) and to reduce the volatility of the annuity that may be purchased, rather than to achieve a specified 'real' or 'nominal' return.

Realisation of Investments
The majority of assets held within the pooled funds are held in stocks which are quoted on major stock markets and may be realised quickly if required.

Manager incentives
Manager remuneration for each fund is determined prior to initial investment. It is based on commercial considerations and typically set on an ad valorem basis. The complete basis of remuneration of the investment managers by the platform provider may be subject to commercial confidentiality, however, the Trustee will seek transparency of all costs and charges borne by members.

When selecting funds, the Trustee will ask their investment adviser to consider the investment managers' fees and appropriateness of each fund's benchmarks, investment objectives and guidelines in relation to those fees. Ongoing assessment is carried out in the following ways:

- In accordance with the 2015 Regulations, the Trustee conducts an annual Value for Members assessment and will include peer comparisons;
- The Trustee monitors the investment managers' long-term (at least 3 years) and short-term (e.g. quarterly) performance against appropriate benchmarks or targets on both a risk and return basis. The investment adviser will provide a qualitative rating for each fund / manager that helps the Trustee determine whether to continue holding the fund / manager or whether to terminate the fund / manager.
- the platform provider and/or investment managers are expected to provide explanations for any significant divergence from a fund's objectives. The investment adviser will assess whether these explanations are appropriate.
- the Trustee also undertakes a review at least every three years of the overall appropriateness of the investment options (default and self-select fund range) for the members.

Portfolio turnover
The Trustee does not expect the Scheme's underlying investment managers to take excessive short-term risk and will monitor the investment manager's performance against the benchmarks and objectives on a short, medium and long-term basis.

While the Trustee expects performance objectives to be met net of all fees and charges, including the costs of transacting within the portfolio, the Trustee will ask the investment platform provider or investment managers on the platform to report on at least an annual basis on the underlying assets held within the fund with details of any transactions and turnover costs incurred over the Scheme's reporting year.

Where a fund has significantly under or outperformed its benchmark, the Trustee will seek to ascertain where necessary whether higher or lower than normal turnover has been a contributory factor. The Trustee will challenge the investment manager if there is a sudden change in portfolio turnover of if the level of turnover seems excessive relative to that manager's investment style and process.

Portfolio duration

The Trustee recognises the long-term nature of defined contribution pension investments and chooses funds which are expected to deliver sustainable returns over the Scheme members' investment horizons. The Trustee will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the objectives within the investment strategy.

The Trustee expects that any underlying fund will be used within the Scheme for an appropriate duration. Turnover of funds will generate significant transaction costs for members and turnover should not necessarily be as a result of short-term underperformance relative to benchmarks. A reasonable starting assumption for a minimum holding period for a fund within the Scheme is three years – this being the period over which performance of the fund can be appropriately evaluated and the costs of change recovered, although all funds are subject to ongoing review against various financial and non-financial metrics.

Additional Voluntary Contributions (AVCs)

The Trustee gives members the opportunity to pay additional voluntary contributions into the same range of funds offered by the manager in which normal contributions of the member and sponsoring employer are invested.

Social, Environmental and Governance Considerations

Consideration of financially material factors in investment arrangements

The Trustee's fiduciary responsibility is to act in the best interest of its members. The Trustee recognises that environmental, social and governance issues can both adversely and positively impact on the Scheme's financial performance and should be taken into account in the funding and investment strategies. Accordingly, the Trustee integrates the consideration of environmental, social and governance (ESG) issues throughout the funding and investment decision making process.

The Trustee has made an explicit allowance for ESG issues in the Scheme's DC investment arrangements by offering an ethical equity fund which excludes companies scoring poorly on various ESG factors. The LGIM Ethical UK Equity fund excludes companies which manufacture or produce tobacco, weapons systems, components for controversial weapons and coal.

Each fund manager is required to submit an annual report to the Trustee, to outline any ESG considerations or analysis that have arisen, and to explain any controversial investments, as well details on engagement and voting.

The Trustee expects its appointed fund managers to support and apply internationally accepted standards of responsible investment practice including being a signatory to the PRI and to provide the Trustee with their annual assessment ratings and statements of compliance.

Consideration of non-financially material factors in investment arrangements

Other than within the LGIM Ethical UK Equity Fund, there are no exclusions or restrictions applied to investment arrangements based on non-financially material factors.

Climate Risk Policy

The Trustee believes that climate change presents a global systemic risk to ecological, societal and financial stability. Climate change therefore has the potential to impact the Scheme's beneficiaries in a number of ways including the value of the Scheme's assets.

Managing Climate Risk

The Trustee has not made explicit allowance for climate change in framing their strategic asset allocation, however as the Scheme's assets are managed and advised by third parties, the Trustee expects its delegated asset managers to:

- Integrate climate risk and opportunities in their investment strategies, and make progress towards understanding and taking action on the climate risks in the Scheme's chosen portfolios and provide evidence this through specific examples in manager review meetings and annual reports.
- Actively engage, with specific objectives and key performance indicators, with highly, (above benchmark average), carbon intensive companies in portfolios and provide this analysis on a regular basis (no less than annually) to the Trustee.
- Seek out alternative (non-fossil fuel) sources of energy and invest in them where risk/return justifies such investment.
- Engage with investee companies to promote the adoption of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.
- Use proxy voting to support the Schemes Climate Risk and ESG Policies with investee companies and support shareholder resolutions, and co-filings where practicable and provide the Trustee with an annual report on climate related proxy voting activity.

The Trustee also expects it professional advisers to:

- Have a publicly available climate risk policy, and;
- Provide the Trustee with regular updates as to how their own advice, tools, processes and skills and knowledge support the Scheme's policy with respect to managing the financial implications of climate change.

Corporate Governance and Proxy Voting

For the Scheme's listed equity investments the Trustee aims to exercise the Fund's voting rights in all markets, where practicable. The Scheme's external fund managers can generally vote on all the Fund's shares at their discretion. As a result, the Trustee has adopted a policy of delegating voting decisions on stocks to the underlying fund managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The investment managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy. Before appointment, the Scheme's fund managers have to confirm that they subscribe to the principles of good corporate governance and, when voting at company AGMs, take them into account.

In respect of investments in the UK this requires its managers to have due regard to the UK Corporate Governance Code and, in respect of overseas investments, have due regard to relevant recognised standards. The Trustee also requires its managers to apply (and confirm annually that they do so) the UK Stewardship Code or similar applicable standards for overseas managers.

The Trustee also expects their investment platform providers to adopt similar practices with regards to the use of voting rights by fund managers on their platform. The Trustee also expects the platform provider to be able to evidence their own governance and monitoring practices of voting rights on request. The Trustee will consider the platform provider's practices on the oversight of and engagement with the investment managers on its platform when reviewing the appointment of platform provider.

The monitoring of the above will also be undertaken by the investment adviser who will request and review information on voting policies and the use of voting rights as supplied by the investment platform providers and underlying fund managers used in the Scheme's default and self-select fund ranges.

Conflicts of interest

When appointing platform providers and choosing investment managers' funds on the provider's platform, the Trustee will seek to establish that the platform provider and each investment manager has an appropriate conflicts of interest policy in place. It is expected that platform providers and investment managers are required to disclose any potential or actual conflict of interest to the Trustee.

When provided with any conflicts, the Trustee will consider the impact of these arising in the management of the funds used by the Scheme. However, overall responsibility for investment decisions and management of conflicts at an investment level has been delegated to the Scheme's underlying investment managers.

Charges

The Scheme is a qualifying scheme for auto-enrolment purposes and so its default option must comply with the charge cap introduced by the Pensions Act 2014 which applies from April 2015. At the present time the maximum any member pays in annual management charges for the default strategy is 0.51% p.a. and as such the Scheme's default is within the 0.75% p.a. charge cap.

This statement has been agreed by the Trustee for and on behalf of the Commonwealth Bank of Australia (UK) Staff Benefits Scheme Trustee Company Limited

Appendix 1 – DC Manager Arrangements

DEFAULT STRATEGY

Details of the fund used within the default option are set out in the table below:

Manager	Fund	Benchmark	Annual Management Charge %	Total Expense Ratio %
Standard Life	Enhanced Diversified Growth Fund	MSCI AC World Index[1]	0.42	0.51

[1]The Fund objective is to generate equity-type returns over the economic cycle (5 – 7 years), but with less than two-thirds of equity market volatility.

FREESTYLE PROGRAMME

Details of the funds available within the Freestyle Programme are set out in the table below:

Manager	Fund	Benchmark	Annual Management Charge %	Total Expense Ratio %
Stewart Investors	Asia Pacific Leaders	MSCI AC Asia Pacific ex Japan	0.85	0.89
	Worldwide Equity	MSCI All Countries World (Net)	1.00	1.26
	Global Emerging Markets Leaders	MSCI Emerging Markets	0.85	0.91
	Worldwide Sustainability	MSCI All Countries World (Net)	0.85	0.92
First State	Global Listed Infrastructure	UBS Global Infrastructure & Utilities 50-50	0.75	0.81
	Global Property Securities	FTSE EPRA / NAREIT Developed	0.75	0.86
	Greater China Growth	MSCI Golden Dragon	1.00	1.06
L&G	Cash	-	0.125	0.125
	Global Equity Fixed Weights (50:50) Index	FTSE All Share / FTSE All-World	0.165	0.165
	Over 5 Years Index-Linked Gilts Index	FTSE-A Index Linked (Over 5 Year)	0.10	0.10
	UK Equity Index	FTSE All Share	0.10	0.10
	Ethical UK Equity Index	FTSE4Good UK Equity Index	0.20	0.20
M&G	All Stocks Corporate Bonds	iBoxx Sterling Non-Gilts Index	0.30	0.30
Baillie Gifford	Global Alpha	MSCI AC World	0.57	0.58
Standard Life	Global Absolute Return Strategies	6 Month LIBOR	0.70	0.72