ESG policies, standards, processes & tools

July 2026

Overview

Our risk management approach supports how we identify, assess, manage and monitor environmental, social and governance (ESG) risks across key business activities. These risks can impact our customers, people, communities and the Bank. They can also influence our risk profile and our ability to deliver sustainable outcomes.

We apply a range of policies, standards, processes and tools to support a consistent, risk-based approach to assessing ESG risks across our activities, including assessments at a portfolio level and, where certain criteria are met, for individual customers and suppliers.

This approach supports informed decision making, including escalation where appropriate, and helps ensure ESG considerations are embedded across relevant risk and procurement processes. Key ESG policies, standards, processes and tools are outlined below:

ESG policies and standards

Environmental and Social Framework

The Environmental and Social Framework (E&S Framework) provides a reference point for our stakeholders on the minimum requirements we have set. The E&S Framework reflects the minimum requirements through which we seek to manage the impacts of climate change, nature and human rights in relation to the Group's operations, supplier management, and financing and bond facilitation.

Our 2025 E&S Framework is available at commbank.com.au/policies

Supplier Code of Conduct

The Supplier Code of Conduct shares our principles and clearly communicates the behaviour and business practices we expect of our suppliers, including compliance with laws; social and environmental standards; and governance obligations.

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

Group ESG Credit Standard

Our Group ESG Credit Standard establishes the minimum credit requirements for the way in which ESG risks are to be considered in credit risk assessment processes for our customers. Along with our other group-wide credit standards, it establishes the minimum credit expectations and requirements for identifying, assessing and monitoring a borrower or counterparty's ESG risks. The standard, which is applicable across the Bank, requires existing or new non-retail borrowers or counterparties that meet certain criteria be considered against the commitments in the Bank's E&S Framework when performing a credit assessment. Throughout the credit process, ESG risks identified are assessed for their impact on our customers' ability to repay. In some cases, the standard also requires reviewing the borrower's collateral they pledge to the Bank for ESG risks. For retail credit exposures and non-retail credit exposures, with aggregated commercial credit facilities (ACCF) of less than $5 million, portfolio-level reviews are undertaken of exposures with high physical risk and/or high transition risk attributes.

We have not currently identified a globally accepted, standardised methodology for quantifying ESG impacts on credit risk. Therefore, our ESG credit assessments continue to be driven by customer due diligence and qualitative assessments in processes tailored to the risk of specific portfolios. We expect our approach to integrating ESG into our credit risk framework will continue to evolve and adapt as industry practices mature, and as regulatory and stakeholder expectations change.

Portfolio oversight

Risk Appetite Statement

The Board-approved Risk Appetite Statement (RAS) defines the level of risk the Bank is willing to accept in delivering its strategy. Management is required to operate within risk appetite. We have integrated two quantitative RAS indicators to monitor potential credit losses from portfolios with higher exposure to climate-related risks. These focus on physical risk in the retail portfolio and transition risk in the institutional portfolio.

For home loans, our indicator measures the percentage of loans with high loan-to-value ratios and exposure to high acute physical risks like floods, fires and cyclones. This helps monitor the likelihood of higher credit losses if property values fall in areas experiencing extreme weather.

For institutional lending, the indicator tracks the percentage of the portfolio exposed to customers with high residual transition risk. This assesses the potential for credit losses if these customers' businesses are challenged by new climate policies, technology changes or shifting community expectations.

The Bank also continues to maintain a qualitative RAS to guide employees on the broader behavioural expectations in relation to our E&S Framework and commitments.

RAS indicators are monitored quarterly by Management and lending policies and limits are adjusted as needed.

Transaction-level assessments

ESG risk assessment tool

Our ESG risk assessment tool plays an important role in our business and institutional lending processes by assisting our bankers to:

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

The tool is supported by a set of inherent risk ratings across industry ANZSIC[1] codes for nine key focus areas:

- climate and energy
- climate physical risk
- nature impact
- nature dependency
- human rights
- labour rights and modern slavery
- Indigenous rights
- workplace health and safety
- anti-corruption and governance.

The tool also includes specific questions aimed at assessing whether lending to a customer is aligned to the commitments in our E&S Framework.

For decisioning, 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 ESG risk indicators. These escalation pathways support our bankers to make risk-based decisions that consider potential ESG issues.

For relevant project-related finance transactions we follow the Equator Principles process requirements.

For the latest reporting on the Equator Principles, see commbank.com.au/reporting

[1] Australian and New Zealand Standard Industrial Classification (ANZSIC) codes.

Corporate and institutional pathway

The corporate and institutional pathway facilitates risk assessments of larger businesses that often have ESG strategies and approaches for managing ESG risks. The corporate and institutional pathway has been used and progressively updated since 2015.

This pathway includes questions that are designed to direct bankers' focus to relevant E&S commitments that potentially apply. The tool may direct users to escalate assessments to senior management or to relevant business unit committees. For relevant transactions, the tool steps the banker through a process of identifying key risks across the nine focus areas and describing the mitigants customers have in place to manage these risks. The tool directs the approval process required by business and credit risk teams. The escalation pathway to senior management or governance forums is determined by the final ESG risk assessment rating or other escalation factors.

Process overview: corporate and institutional pathway

Initial rating
Initial rating derived based on the country[2] and initial industry risk ratings, where applicable.

Validation
Bankers identify the key ESG risks related to the transaction and customer's business and answer mandatory questions around the Bank's E&S Framework commitments.

Mitigation
Bankers record the strategies customers have in place to mitigate key ESG risks, for example public targets or commitments.

Approval
Business and risk teams approve ESG risk assessments. The level of approval required is determined by the final ESG risk assessment rating.

Escalation
Additional escalation may be required if the ESG risk assessment is for customers in certain industries, requires additional review against the E&S Framework or based on the customer's ESG risk profile.

[2] For institutional pathway only.

Commercial Pathway

The commercial pathway has been used and progressively updated since 2022 and supports the identification and assessment of ESG risks of businesses managed in higher volume portfolios in some areas of the Business Bank (BB). This pathway uses multiple-choice questions to identify and assess a customers' exposure to ESG risk factors and determine a customers' alignment with 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 BB Commitments Committee. Credit risk approval is required for all commercial pathway assessments for customers with greater than or equal to $5 million in ACCF.

Process overview: commercial pathway

ANZSIC code assessment
Identification of high and very high ESG risk areas based on client industry

Complete assessment questions
Bankers consider the ESG risk profile of their customer and complete assessment questions, with an emphasis on high and very high-risk areas.

Assessment approval
Completed assessments are approved by the designated business and/or risk approvers.

Escalation
Additional escalation to senior management or governance committee may be required based on the assessment responses.

Climate stress index for agriculture customers

In May 2024, we launched the climate stress index (CSI) tool to support our bankers in assessing climate-related risks. Developed in collaboration with CSIRO [3] the CSI tool forecasts climate stress for the next ten years by postcode. It draws on key agri-climatic productivity variables across grain, livestock and dairy sectors and provides a composite score for each postcode-commodity combination. This indicates whether climate stress is expected to decrease, remain stable, or increase moderately or at a high rate.

The CSI tool enhances our understanding of the degree, nature and location of chronic climate risks to our lending securities. It enables our bankers to have conversations with customers on their long-term climate adaptation plans relevant for credit risk assessment. CSI insights are also used for portfolio monitoring across livestock, grain and dairy commodities. This helps us track exposure trends and inform strategic planning.

Insights from the tool have been shared with customers through a Climate Insight Report, tailored to their region and commodities. This supports customers to consider the data and plan for future climate-related resilience.

Supply chain assessments

Our supplier risk platform supports the identification, assessment and management of risks associated with suppliers across procurement and supplier management activities. Assessments are conducted at onboarding for new services and during contract renewals or material variations. They consider a range of ESG factors, for example, environmental impacts, modern slavery risks, workplace health and safety, and governance considerations, such as anti-money laundering and privacy.

We apply a risk-based approach to due diligence. Suppliers are prioritised for further review where risk is elevated due to industry, geography, business model or other key inherent risk factors. In these instances, enhanced due diligence may be undertaken to better understand supplier risk exposure, controls, practices and alignment with CBA's expectations in our Supplier Code of Conduct.

From FY27, our risk identification and assessment tooling will transition to a new platform as part of the Bank's broader improvements to supplier risk management, while maintaining a consistent risk-based approach to managing supplier ESG risks.

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[3] Commonwealth Scientific and Industrial Research Organisation

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