



CBA 2022 Climate Bond Annual Impact Report

31 March 2018

Contact information

Leading Corporate Sustainability

The most sustainable organisation in Australia



MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

A leading sustainability-driven company

Strong environmental, social and governance practices



FTSE4Good

Leader in climate disclosure



A great place to work



Issuer of the largest climate bond by a bank in the A\$ market

Climate Bonds INITIATIVE

CBA's Commitment to Responsible Lending

Highlights from CBA's 2017 Corporate Responsibility Report

Supporting the transition to a low carbon economy

This year, we have arranged \$1.02 billion of climate bonds. In March 2017, we issued the largest Australian dollar climate bond from an Australian bank at \$650 million, demonstrating active leadership and best practice in the climate and green bond market. The bond is backed by Australian renewable and low carbon assets including wind power generation, green buildings and low carbon transport projects.

In addition to our own climate bond, we have also arranged the following:

- A \$100 million 10-year Australian dollar MTN climate bond for Investa Commercial Property Fund which financed a number of low carbon office buildings in Sydney and Melbourne
- A \$218 million US Private Placement climate bond transaction for Monash University to finance a series of capital expenditure initiatives which achieved Climate Bonds Initiative certification
- A \$50 million securitisation for FlexiGroup to finance solar equipment consumer receivables with Climate Bonds Initiative certification. This is the second climate bond arranged for FlexiGroup.

We have become a partner of the Climate Bonds Initiative and will continue to work towards increasing large-scale investment in climate bonds to deliver a global low-carbon economy.

We also launched a \$100 million Energy Efficient Equipment Finance Program with the Clean Energy Finance Corporation to support business investment in energy efficient assets.

Renewable energy

Our lending exposure to renewable electricity generation continues to increase. At 30 June 2017, our exposure to renewable energy projects was \$2.8 billion, up from \$2.2 billion last year.

In support of the renewable energy market, in the past year, we have completed significant and landmark transactions in Australia and overseas.

Funding three solar farms by Edify Energy as the lead bank marked our first long-tenor debt financing for renewable projects in Australia, demonstrating the ongoing evolution of the local renewable sector and the increasing willingness for banks to accept merchant risk to support renewable development.

The Bungala solar project is a \$450 million project involving more than 1.2 million solar PV panels in South Australia. The project was the largest equity and debt finance arrangement for a new solar project in Australia to date, as well as the first major Australian renewable project delivered without government funding assistance. CBA's role was as a mandated lead arranger.

Bungala's unique investment model also saw project finance raised alongside a full equity sell-down at financial close, a tailored innovative structure that has potential to attract more private investment to renewable projects.

Renewable industry advocacy

This year we became a member of the Clean Energy Council, the peak body representing Australia's clean energy sector, to engage further with the local renewable energy sector.

As a member, we will contribute to the Clean Energy Council's efforts to accelerate clean energy innovation, advocate effective energy policy and market frameworks, to grow the sector and transform Australia's energy system in the interests of all Australians.

Please see the Commonwealth Bank Climate Policy Position Statement for further information:

<https://www.commbank.com.au/content/dam/commbank/assets/about/opportunity-initiatives/CBA-Climate-Policy-Position-Statement.pdf>

Corporate Responsibility

Performance Data – 2018 Half Yearly Results

	1H18	FY17	FY16	FY15
Renewable energy lending exposure (\$bn)	3.3	2.8	2.2	1.4
Total greenhouse gas emissions (Group) (tCO ₂ -e)	98,214	204,317 ¹	164,111	179,276
Emissions per FTE (Australia) Scope 1 + 2 (tCO ₂ -e)	2.3	2.3	2.6	2.7
Employee Engagement Index (CBA) (%)	Annual	78	77	81
Women in Manager and above roles (%)	44.4	44.4	43.6	43.2
Training hours per employee	21.4	39.1	34.3	31.1
Lost Time Injury Frequency Rate (LTIFR)	1.1	1.1	1.5	2.0
Total community investment (\$m)	152	272	262	243
Female directors on Board (%)	33	40	33	27
SpeakUP Program cases (#)	60	171	-	-
<i>Whistleblower cases (#)²</i>	21	44	-	-
Training completion rate on 'Our Commitments' (%)	99.9	97.6	-	-

For metrics definitions, please refer to the 2017 Corporate Responsibility Report, available at: www.commbank.com.au/investors/corporate-responsibility.

1. From 2017 we have included data centres outside of our operational control.
2. Whistleblower cases are a subset of SpeakUP Program cases

Climate Bond Framework

CBA Climate Bond

Our objective is to ensure that we meet our responsibility to safeguard the environment and support economic growth and development

- The issuance of a CBA Climate Bond represents a key opportunity for CBA to play a role in the transition to a low carbon economy, through supporting low carbon and climate resilient projects and assets
- The CBA Climate Bond will involve the issuance of a senior unsecured medium term note denominated in Australian dollars with a 5year tenor paying a fixed and/or floating rate semi-annual/quarterly coupon
- Issuance proceeds will fund eligible projects in renewable generation, energy efficient buildings and low carbon transport. Eligible projects which comply with the Climate Bond Standards and eligible for certification have been nominated for this climate bond (“Nominated Projects”)
- The Climate Bond Initiative (“CBI”) is a not-for-profit organisation. Its stated aim is to promote large-scale investments that will deliver a global low-carbon economy. The Climate Bond Initiative has developed standards for certification of eligible bonds
- CBA Climate Bond rank paripassu with all other CBA senior unsecured debt. The payment obligations on the CBA Climate Bond is not dependent on the performance of the Nominated Projects

Nominated Projects

- The Nominated Projects associated with the CBA Climate Bonds have been certified by the CBI
- Compliance with the Climate Bond Standards has been independently verified by Ernst & Young
- To comply with the Climate Bond Standards, it is the intention the aggregate interests in Nominated Projects will exceed the amount of the CBA Climate Bond
- Eligible projects that meet the eligibility criteria of the Climate Bond Standards could be Nominated Projects including (but not limited to):
 - Solar
 - Wind
 - Hydro Power
 - Transport
 - Energy efficient buildings
- Introduction of any new Climate Bond Standards will also be adopted

Climate Bond Use of Proceeds Assets

Nominated Projects Exposure	Nominated Projects (#)	CBA Climate Bond	Surplus Funds
\$948m	13	\$650m	0

Existing Assets	State	Sector
Collgar Wind Farm	WA	Energy - Wind
Blayney Wind Farm	NSW	Energy - Wind
Crookwell Wind Farm	NSW	Energy - Wind
Snowtown Wind Farm	SA	Energy - Wind
Wattle Point Wind Farm	SA	Energy - Wind
Waubra Wind Farm	Vic	Energy - Wind
Canberra Light Rail	ACT	Low Carbon Transport
Low Carbon Transport 1	NSW	Low Carbon Transport
Low Carbon Transport 2	QLD	Low Carbon Transport
Low Carbon Transport 3	NSW	Low Carbon Transport
50 Lonsdale St, Melbourne	Vic	Low Carbon Commercial Property
913 Whitehorse Road Box Hill	Vic	Low Carbon Commercial Property

Note: Nominated projects exposure as at January 2018

Environmental Impacts

CBA's climate bond has contributed financing to projects which in totality have had the following environmental impacts:

- Approximately 2,544kt of GHG emissions avoided in totality as a result of renewable energy projects
- Low carbon transport projects to reach progressive stages of completion commencing in 2018, and will gradually replace more emissions-intensive transport options
- Commercial buildings performed 17% better than the green bond benchmark in terms of energy efficiency

Energy – Wind¹

Share of Portfolio Financing (%)	Emissions avoided as a result of projects (CO ₂ p.a.)	Pro-Rata Emissions Avoided (CO ₂ p.a)
23%	2,544kt	221kt

Low Carbon Transport²

Share of Portfolio Financing (%)	Passengers p.a
51%	N.A

Low Carbon Commercial Property³

Share of Portfolio Financing (%)	Lettable (m ²)	% Lower than Benchmark	Pro-rata Emissions Lower than Benchmark (CO ₂ p.a)
26%	86,550	17%	314t

Calculation Notes

- (1) Pro-rata annual emissions avoided were calculated as CBA's debt outstanding as a proportion of total capital for each individual asset, multiplied by the total emissions avoided by each individual asset, and then summed for all assets in the Energy-Wind asset class. Figures for total emissions avoided are sourced from company websites where available, or otherwise calculated by multiplying estimated annual generation (MWh) by grid emissions intensity of 0.857tCO₂e/MWh (National Energy Market Cal 2017)
- (2) Passenger numbers were not available for Low Carbon Transport projects as at March 2018.
- (3) Figures sourced from the CBI Commercial Property CO₂ Target Calculator, located at <https://www.climatebonds.net/standard/buildings/commercial/calculator>. Total Lettable Area (m²) = 86,550, Average Intensity (kgCO₂/m² p.a) = 64.25, Benchmark = 77.75. Pro-rata annual emissions avoided is calculated as CBA's debt outstanding as a proportion of total capital for each individual asset, multiplied by the total emissions less than CBI benchmark for each individual asset, and then summed for all assets in the Low Carbon Commercial Property asset class.

Independent Assurance Statement



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Independent Reasonable Assurance Report in relation to post-issuance of Commonwealth Bank of Australia's 2017 Climate Bond

Assurance conclusion

Based on our reasonable assurance procedures, as described in this statement as at 29 March 2018, in our opinion Commonwealth Bank of Australia's processes in relation to its 2017 Climate Bond meets the selection of nominated projects and assets, internal processes and controls, and reporting requirements of the Climate Bond Standard, in all material respects.

Scope

We have performed a reasonable assurance engagement in relation to Commonwealth Bank of Australia's (CBA) 2017 Climate Bond, post-issuance, in order to provide an opinion as to whether the subject matter detailed below continues to meet, in all material respects, the criteria as presented below as at 29 March 2018.

Subject Matter

The subject matter for our Climate Bond post-issuance assurance is limited to:

- ▶ total debt exposure to eligible wind energy generation and related infrastructure, low carbon transport, low carbon commercial building projects, and solar energy generation and related infrastructure, exceeding the combined total bond issuance value of AUD\$650m (being CBA's original Climate Bond value), as at 31 December 2017
- ▶ management of Climate Bond proceeds
- ▶ reporting on use of proceeds and project performance

Criteria

The criteria for our procedures ('the criteria') are:

- ▶ The Climate Bond Standard v2.1, Solar criteria and guidance
- ▶ The Climate Bond Standard v2.1, Wind criteria and guidance
- ▶ The Climate Bond Standard v2.1, Low Carbon Transport criteria and guidance
- ▶ The Climate Bond Standard v2.1, Low Carbon Buildings criteria and guidance

Management Responsibility

Management of CBA ('Management') is responsible for the collection, preparation, and presentation of the subject matter in accordance with the criteria, and for maintaining adequate records and internal controls that are designed to support the Climate Bond issuance process.

Assurance Practitioner's Responsibility

Our responsibility is to express a reasonable assurance conclusion as to whether the subject matter is presented in accordance with the criteria, in all material aspects. Our assurance engagement has been planned and performed in accordance with the Australian Standard on Assurance Engagements 3000 (revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE 3000') and ASAE 3100: *Compliance Engagements* ('ASAE 3100').

Level of Assurance

A reasonable assurance engagement consists of making enquiries and applying analytical, controls testing, and other evidence-gathering procedures that are sufficient for us to obtain a meaningful level of assurance as the basis for a positive form of conclusion. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the specific activity data, whether due to fraud or error. While we considered the effectiveness of Management's internal controls when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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