

# Equator Principles III Reporting

The CBA Group became a signatory to the Equator Principles III (EPIII) in May 2014. The EPIII are a set of standards to assess, mitigate, manage and monitor Environmental, Social and Governance (ESG) risk in project related financing.

## Equator Principles III

The Equator Principles have evolved over time. The third iteration, EPIII, reflects the latest global developments in environmental and social risk management practices and associated governance around compliance.

By adopting EPIII, CBA builds on its commitment to responsible lending and formalises the reporting of our environmental and social risk practices.

## CBA's EPIII Training and Support

CBA has conducted EPIII training among specialised finance teams and relevant risk and client facing teams. Over 100 CBA employees in Australia and offshore have participated in CBA's face to face EPIII training.

The initial stage of EPIII training explored its history and purpose, with a deep dive into each principle and the International Finance Corporation (IFC) performance standards. The next stage focussed on practical application, covering CBA process, support material available, as well as workshops where teams applied EPIII to case studies and shared learning and insights with the broader group.

CBA teams are also supported by a web-space that includes detailed guides, presentations, a training webinar, e-learning and a template to record key steps. It is also a reference point for key EPIII support.

In addition to EPIII specific training, more than 3000 individuals in business lending across the CBA Group completed ESG Fundamentals e-learning. This provides an understanding of ESG risk, communicates the Group's ESG commitments and what individuals need to do to meet them.

## CBA's EPIII Reporting

Since CBA signed EPIII in May 2014 through to financial year ending June 2015, 21 EPIII qualifying deals have reached final close. Details are shown in Figure 1 and 2.

## EPIII Reporting FY June 2015

Figure 1. Number of qualifying deals/by category

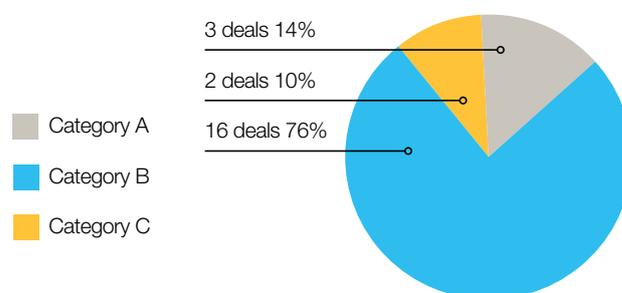


Figure 2. Deals by Industry and Region

	EPIII Category		
	A	B	C
<b>Total</b>	3	16	2
<b>Industry Sector</b>			
Transport	0	8	1
Mining	1	3	0
Electricity and gas supply	0	3	0
Oil and gas extraction	2	0	0
Water supply	0	1	0
Agriculture	0	0	1
Social infrastructure	0	1	0
<b>Region</b>			
Australia and NZ	0	10	2
Americas	3	2	0
Europe	0	3	0
Asia	0	1	0
<b>Country Designation</b>			
Designated	2	15	2
Non designated	1	1	0

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## CBA's EPIII process

CBA's EPIII process flow is outlined in figure 3, covering each principle as well as aligning with the Group's ESG Commitments and embedding EPIII assessment in the loan decision process.

Key EPIII categorisation, industry, country and other details are recorded through the loan pipeline system. In addition, EPIII categorisation, compliance and details of key ESG risks and client mitigation strategies are embedded in key credit decision documentation. EPIII assessment is also a key determinant in the escalation process.

## CBA's ESG process for non project related loans

Non project related loans over a materiality threshold are assessed by CBA's ESG risk assessment tool, which is embedded in the origination process. For loans with medium or high ESG risks, the ESG tool assesses ESG risk and client mitigants in a process aligned to EPIII.

Teams are prompted with a sector score based on ANZSIC code, ESG risks are assessed against seven key ESG focus areas; Biodiversity, Water, Carbon & Energy, Pollution, Health and Safety, Labour & Human Rights and Bribery & Corruption.

Teams are required to describe any ESG risks and client mitigation strategies for each focus area and assess the likelihood and consequence of impact. This informs the final ESG assessment and escalation process. Loans with higher ESG risk are escalated to senior management for further consideration. ESG variables are stored and analysed to monitor and manage ESG risk exposure in the broader lending portfolio.

For all other business lending, minimum ESG requirements include alignment with CBA's ESG Lending Commitments, Environmentally Sensitive Industry policy and any relevant sector policies.

Figure 3. CBA's EPIII process flow

