

To: Kara Nicholls, Group Company Secretary
CC: Melanie Kirk, Head of Investor Relations

Commonwealth Bank of Australia
Tower 1, 201 Sussex St
Sydney NSW 2000

Re: application of Commonwealth Bank of Australia's Environmental and Social Framework

Dear Ms Nicholls,

We the undersigned are current shareholders of Commonwealth Bank of Australia (CBA) and write to seek information about the company's compliance with its stated commitments in relation to its Environmental and Social Framework.

Since August 2019, CBA has reportedly participated in several loans supporting the development of new fossil fuel infrastructure:

- On September 18 2019, Commonwealth Bank was reported as having taken part in a syndicated loan for *"the development and construction of the [692KM] Permian Highway Pipeline located in Texas, United States. The facility stretches from the Permian Basin to the Texas Gulf Coast and has a capacity of 2.1 billion cubic feet per day of natural gas."*¹
- On December 16 2019, Commonwealth Bank was reported as having acted as 'lead arranger' in a \$1.05 billion debt financing of GasLog Ltd (NYSE:GLOG) for the building of seven new LNG vessels.²
- On February 25 2020, Commonwealth Bank was reportedly acting as 'Arranger' in a prospective US\$629 million financing of FLEX LNG Ltd (NYSE:FLNG) for the building of five new LNG vessels.^{3,4}
- On April 17 2020, Commonwealth Bank was reported as having taken part in a A\$693 million loan to Energy Infrastructure Investments, part of which is to *"fund capex for its Tipton West coal seam gas project in Queensland."*⁵

Publicly available analysis from 2016 concluded any new gas infrastructure projects are not in line with the goals of the Paris Agreement (*The Sky's Limit*).⁶ The 2019 publication *Production Gap* goes further and states that it is now time to wind down gas production: With average lifetimes of 20 years or longer for pipelines, terminals, wells, and platforms, the time to begin planning for a wind-down of gas production is, as with other fossil fuels, already upon us.⁷

¹ <https://ijglobal.com/data/transaction/48041/permian-highway-pipeline-692km>

² <https://www.gaslogltd.com/gaslog-ltd-announces-newbuild-financing-facility-enhancements-to-existing-facilities-and-payment-of-special-dividend-of-0-38-per-common-share/>

³ Refinitiv Eikon loans tearsheet (Package ID: 3974300115)

⁴ https://www.flexlng.com/wp-content/uploads/2020/02/Flex_General_Investor_Day_2020.pdf (according to FLEX LNG Ltd as at February 26 2020, this loan "remains subject customary closing conditions").

⁵ <http://www.pfie.com/eii-refinances-and-funds-tipton-csg/21425302.article>

⁶ http://priceofoil.org/content/uploads/2016/09/OCI_the_skys_limit_2016_FINAL_2.pdf

⁷ <http://productiongap.org/wp-content/uploads/2019/11/Production-Gap-Report-2019.pdf>

The *CBA Environmental and Social Framework* was released around 7 August 2019 as part of our company's suite of reporting for the previous financial year. It states on page 8:

We ensure our business lending policies support the responsible transition to a net zero emissions economy by 2050, by ... only providing Banking and Financing activity to New oil, gas or metallurgical coal projects if supported by an assessment of the environmental, social and economic impacts of such activity, and if in line with the goals of the Paris Agreement.

For Banking and Financing Activity see page 11:

Banking and Financing Activity

Defined as providing direct corporate lending, project finance, trade finance, IPOs and their distribution, risk management and transaction banking services.

The *CBA Environment and Social Framework* states at page 6:

Our E&S Framework is underpinned by our internal Group Environmental and Social Policy (E&S Policy) and business unit-specific procedures. The E&S Policy applies to the Group, Directors, employees and contractors. For parts of the Group that are impacted by foreign or local laws, regulatory requirements, or contractual obligations that conflict with the E&S Policy, the more stringent standard applies.

The Group's Board is responsible for overseeing adherence to the E&S Policy and monitoring progress towards targets, while our People are responsible for meeting the requirements of the E&S Policy. Our senior leaders are responsible for promoting and championing the environmental and social considerations outlined in the E&S Policy through their business decisions and interactions.

Breach of our E&S Policy may be regarded as misconduct, which can lead to disciplinary action (including termination of employment or engagement). Failure to follow relevant business unit-specific procedures may amount to a breach.

We assume that CBA's internal *Group Environmental and Social Policy* and its business lending policies are consistent with the public *Environmental and Social Framework* requirement to support the responsible transition to a net zero emissions economy by 2050 and required assessments. Please confirm this is so by providing the relevant sections of the bank's internal policies.

CBA will consider that misconduct occurs if the E&S Policy is breached. From the evidence above, and based on our assumptions, it appears a breach of the policy may have occurred with respect to the Commonwealth Bank's activities for the Permian Highway Pipeline, GasLog Ltd, FLEX LNG Ltd and Tipton West.

The matter at hand is material to investors' decision to buy, sell or hold CBA shares. CBA's activities with respect to these projects and their contribution to climate change attracts serious financial and reputational risks.

There are real and serious questions regarding compliance and misconduct, in particular:

- (a) compliance with the *CBA Environmental & Social Framework* and underlying policies and misconduct by the Group, directors, employees and contractors;
- (b) corrective disclosures regarding any non-compliance; and
- (c) whether CBA took proper steps to ensure the transactions do not have an adverse impact on the value of member shareholdings as a result of:
 - (i) direct financial risks posed by the transactions, especially given climate change is a financial risk;
 - (ii) reputational risks, given CBA is a retail bank exposed to public opinion, by investing in projects that might not be in line with the goals of the Paris Agreement or not adhering to its own policy.

In light of the above, we request you provide us internal CBA material demonstrating that CBA followed its own *Environmental and Social Framework* when considering and deciding to invest in the Permian Highway Pipeline, GasLog Ltd, FLEX LNG Ltd and Tipton West. These are clearly projects that expand gas infrastructure and appear to be against the framework. Specifically, we request the bank provide us its assessment of these projects and the reasons why they were considered as “in line with the goals of the Paris Agreement”.

Additionally, we would like to know if there are any irregularities with respect to the transactions, including the steps that have been taken to ensure proper processes were followed and if not, what disciplinary action has been taken.

The information we are seeking relates to potential misconduct and goes to whether or not the transactions might adversely affect our investments in CBA.

In our view there is a case for investigation and we would be grateful for more information from the bank, including internal documents about the transactions.

Please also tell us if the directors informed themselves about the transactions and, if so, whether they believed they were in the best interests of the company.

Sincerely,

Guy Abrahams

Kim Abrahams