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 Capital Cranfield Pension Trustees Limited, (the "Trustee") as Trustee to the Defined Contribution Section of the Commonwealth Bank of Australia (UK) Staff Benefits Scheme (the "Scheme") in accordance withthe 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 Scheme's DC investment adviser 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 Scheme must offer a default arrangement for those members who do not wish to make an investment decision. It also offers a range of 'Freestyle' funds for members who are happy to make their own investment choices.

The Trustee undertook its latest review of the investment strategy of the default arrangement in September 2021 with a view to delivering better outcomes for members and their beneficiaries at retirement. The Trustee took formal investment advice from its investment advisers in accordance with the policies set out in this SIP and the requirements of section 36 of the Pensions Act 1995. Following this review, changes were made with effect from 30 June 2022. The current default arrangement is discussed further in the "Investment Strategy" section of this document.

The Trustee believes that it is in the best interests of members to operate a default arrangement which manages the principal investment risks members face during their membership of the DC Section – a lifestyle strategy has therefore been implemented to meet this criteria.

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

From time to time fund managers may suspend trading in a fund due to market conditions or decide to close or merge a fund for commercial or regulatory reasons. There may also be administration system limitations which impact the options members have regarding their investment choices. These are outside the Trustee's control. Should these circumstances occur, it may be necessary for the Trustee to redirect contributions to an investment option which differs from some members' original choice. The Trustee will ensure that any alternative investment option adopted in this manner meets the charge cap requirements for default arrangements (and is monitored on a regular basis against this) and will classify the fund as an 'inadvertent' default.

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. When deciding on the new investment strategy, the Trustee took formal investment advice from its investment advisers in accordance with the policies set out in this SIP and the requirements of section 36 of the Pensions Act 1995. The Trustee reviews the investment strategy periodically and on a triennial basis as a minimum.

Members' savings and contributions are, in the absence of instructions to the contrary, invested in the default arrangement. The default arrangement is a lifestyle strategy whereby members' investments are gradually moved from higher risk funds to lower risk funds as they approach retirement.

When members are more than 15 years from their target retirement age (TRA), their savings will be 100% invested in the LGIM Future World Global Equity Index Fund. This is a passive fund that invests in equities from across the world while factoring environmental, social and governance (ESG) factors into the investment process. The aim of the lifestyle strategy at this stage is to maximise exposure to high growth investments.

Once a member is 15 years from their TRA, their savings and contributions start to move into the LGIM Future World Multi-Asset Fund (MAF) and the Baillie Gifford Multi-Asset Growth Fund (MAGF). These are both multi-asset funds which invest in a broad range of assets including equities, corporate bonds, government bonds and property. Between 10 and 3 years to TRA, members will hold a 50:50 split between these two funds. The aim of the lifestyle at this stage is to reduce the volatility of the investments while still providing opportunities for investment growth.

In the final 3 years before TRA, a small portion of a member's holdings are moved into the LGIM Cash Fund, a cash fund which holds low-risk short duration securities and deposits. This fund has a very low expected level of volatility and therefore will reduce volatility further as members prepare to access their savings.

Upon reaching TRA, members will be invested 37.5% in LGIM Future World MAF, 37.5% in Baillie Gifford MAGF and 25% in LGIM Cash Fund. The strategy is therefore tailored towards members who will take their 25% tax-free cash lump sum and then use the remainder of their savings for income drawdown. The Trustee believes this will be the most likely outcome for the Scheme's members based on the membership demographics of the Scheme. The lifestyle is depicted in the chart below:

The Trustee recognises that the default arrangement will not meet the needs of all members, and so a 'Freestyle' range of funds is also available, providing members with alternative investment choices. The range comprise various equity, multi-asset and bond funds, a property fund, an infrastructure fund, and a cash fund; The Trustee believes the range provides appropriate choices for members' different savings objectives, risk profiles and time horizons. The Trustee acts in the best interest of all beneficiaries and investment decisions are made by reference to all membership groups.

The Trustee has reviewed 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. The Trustee seeks advice from their investment advisers before making any changes to the Scheme's investments.

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 or other asset classes in such a way as to replicate, asclosely 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 will seek to gain access to funds which meet the Trustee's investment beliefs and are expected to deliver good outcomes for members. This is subject to the underlying fund meeting the requirements of the charge cap in relation to any default arrangements.

Balance between different kinds of investments

Each fund offered to members has a defined benchmark or objective and the Trustee is satisfied that the benchmark and objective, taken in combination with other fund choices available, is appropriate for different categories of members. Members have the option to select the balance between their own investments by self-selecting from the available Freestyle fund range.

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.

Under the Pensions Act 2004, the Trustee is required to state its policy on how relevant risks are measured and managed. The Trustee deems the following risks to apply to the DC Section of the Scheme and mitigates them in the following ways:

- Liquidity Risk – the risk of being unable to redeem assets at short notice
    - All the Scheme's investments are held in daily dealt pooled investment vehicles. The Trustee

does not anticipate issues in redeeming funds at short notice, though it recognises that the investment managers may at times need to impose restrictions on the timing of purchases and sales of funds (most notably investing in property) in some market conditions to protect the interests of all investors in a fund. Liquidity within each underlying fund is managed by the individual fund managers.

- Manager Risk – the risk of the Scheme's investments underperforming relative to their respective targets
  - The Trustee monitors fund performance and will discuss performance issues with their investment adviser and may look to replace funds that underperform their target over the long term.
- Market Risk – the risks that affect the value of the Scheme's investments, such as inflation risk, currency risk and credit risk
  - The Trustee has designed the default arrangement so as to expose members to an appropriate level of market risk at different stages of their retirement journey. Members who wish to select their own investments can do so from the Freestyle fund range, which includes a variety of investment options with varying exposures to different market risks.
- Environment, Social & Governance (ESG) Risk – the Trustee's policy on ESG risk is set out in a later section of this statement.

Expected Return on Investments
The Trustee receives professional independent investment advice on the expected levels of investment returns (after the deduction of charges) and risks for the funds used for the default arrangement and Freestyle investment options to ensure that they are consistent with the Trustee's objectives.

The Trustee believes that it is important to balance investment risks with the likely long-term returns from different types of assets used in funds (taking the funds' costs and charges into account). The expected returns on the principal asset classes and fund types within the Scheme are:

- Equities – should achieve a strong positive return relative to inflation over the longer-term but tends to be the most volatile asset class over the shorter-term.
- Corporate Bonds – should achieve a positive return relative to inflation over the longer-term which is lower than that for equities, but with a lower level of shorter-term volatility than equities.
- Cash – should deliver a positive return which may not always keep pace with inflation, while normally providing a minimal level of volatility and high degree of capital security.
- Index-linked Government Bonds (Gilts) – values should move broadly in line with the financial factors influencing annuity rates, while providing a degree of inflation protection.
- Diversified Growth / multi-asset funds – invest in a varying mix of asset classes with an objective of delivering a target level of returns relative to inflation or cash over the longer-term, with a target level of shorter-term volatility lower than equities.
- Property and Infrastructure – should deliver a positive return but with lower levels of return and volatility compared to equities.

Realisation of Investments

Funds need to be sold to make payments to members and to undertake fund switches either in accordance with the asset allocation changes as prescribed by the default arrangement or as requested by individual members. The Trustee normally expects the investment managers to be able to realise the funds within a reasonable timescale. The Trustee recognises that the investment managers may at times need to impose restrictions on the timing of purchases and sales of funds (most notably investing in property) in some market conditions to protect the interests of all investors in a fund.

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 Trustee is satisfied that the investment fund managers' short-term performance will not impact long-term goals. In particular, none of the funds have performance fees in place, which could encourage managers to make short term investment decisions to hit their short-term profit targets at the expense of longer-term performance.

When selecting funds, the Trustee will ask their investment adviser to consider the investment managers' fees and appropriateness of each fund's benchmark, 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 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 Freestyle fund range) for the members.

Portfolio turnover

The Trustee does not expect the Scheme's investment managers to take excessive short-term risk and monitors 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 asks 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 or 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 carries out 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. Regularly changing the Scheme's funds will generate significant transaction costs for members and 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 managers in which regular 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 potentially both adversely and positively impact on the Scheme's financial performance and should be taken into account in the default arrangement investment strategy. Accordingly, the Trustee integrates the consideration of environmental, social and governance (ESG) issues throughout the investment decision making process.

The Trustee has made an explicit allowance for ESG issues in the Scheme's DC investment arrangements by including theLGIM Future World Global Equity Index Fund and the LGIM Future World MAF in the default arrangement; both of these funds integrate ESG factors into the investment process to overweight companies with a better ESG profile and underweight or exclude those with a poor ESG profile. The Scheme also offers an ethical equity fund as a Freestyle option, 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; the aim of this report should be to outline any ESG considerations or analysis that have arisen, to explain any controversial investments, and to provide 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

Some of the funds in the default arrangement and Freestyle range place specific exclusions or restrictions on their underlying investmentsbased on non-financially material factors. For example, the LGIM Future World Global Equity Index Fund, the LGIM Future World MAF, and the LGIM Ethical UK Equity Fund all have their own exclusions policy to remove investee companies that generate revenue from certain industries that are deemed to violate their policies towards ESG.

The Trustee does not explicitly take account of member views when selecting the Scheme's investments.

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. They should 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 Scheme's 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 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 fund voting rights in all markets, where practicable. The Scheme's underlying investment 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 exercisedby them with the objective of preserving and enhancing long term shareholder value. The investmentmanagers 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 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 fund managers used in the Scheme's default arrangement and Freestyle range.

Conflicts of interest

When appointing investment managers, 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.

Charges

The Scheme is a qualifying scheme for auto-enrolment purposes and so its default arrangement must comply with the charge cap introduced by the Pensions Act 2014. At the present time the maximum any member pays in annual management charges for the default arrangement is 0.52% p.a. and as such the Scheme's default is within the 0.75% p.a. charge cap.

For and on Behalf of the Trustee of the Commonwealth Bank of Australia (UK) Staff Benefits Scheme

December 2022

Appendix 1 – DC Manager Arrangements

DEFAULT STRATEGY

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

Manager	Fund	Benchmark	Total Expense Ratio (% p.a.)
LGIM	Future World Global Equity Index Fund	Solactive L&G ESG Global Markets Index	0.23
LGIM	Future World Multi-Asset Fund	ABI Mixed Inv 40-85% Shares Sector	0.30
Baillie Gifford	Multi-Asset Growth Fund	UK Base Rate +3.5%	0.73
LGIM	Cash Fund	SONIA	0.13

OTHER DEFAULT FUNDS

Details of the fund(s) classified as inadvertent default funds are set out in the table below:

Manager	**Fund**	**Benchmark**	**Total Expense Ratio (% p.a.)**
Stewart Investors	Worldwide Sustainability[1]	MSCI All Countries World (Net)	0.66
LGIM	Future World Multi-Asset Fund[2]	ABI Mixed Inv 40-85% Shares Sector	0.30

[1] The Fund objective is to grow your investment by investing in shares of high quality companies which are positioned to benefit from, and contribute to, the sustainable development of the countries in which they operate.

[2] The Fund objective is to provide long-term investment growth through exposure to a diversified range of asset classes (excluding physical property) while reflecting significant ESG issues into the fund's investment strategy.

Both funds are also available within the Freestyle range.

FREESTYLE RANGE

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

Manager	**Fund**	**Benchmark**	**Total Expense Ratio %**
Stewart Investors	Asia Pacific Leaders Sustainability	MSCI AC Asia Pacific ex Japan	0.84
	Global Emerging Markets Leaders	MSCI Emerging Markets	0.88
	Worldwide Sustainability	MSCI All Countries World (Net)	0.66
First State	Global Listed Infrastructure	FTSE Global Core Infrastructure 50/50	0.81
	Global Property Securities	FTSE EPRA / NAREIT Developed	0.86
	Greater China Growth	MSCI Golden Dragon	1.06
LGIM	Cash	SONIA	0.13
	Global Equity Fixed Weights (50:50) Index	FTSE All Share / FTSE All-World	0.17

	Over 5 Years Index-Linked Gilts Index	FTSE-A Index Linked (Over 5Year)	0.10
	UK Equity Index	FTSE All Share	0.10
	Ethical UK Equity Index	FTSE4Good UK Equity Index	0.20
	Future World Global Equity Index Fund	Solactive L&G ESG Global Markets Index	0.23
	Future World Multi-Asset Fund	ABI Mixed Inv 40-85% Shares Sector	0.30
M&G	All Stocks Corporate Bonds	iBoxx Sterling Non-Gilts Index	0.30
Baillie Gifford	Global Alpha	MSCI AC World	0.58
	Multi-Asset Growth Fund	UK Base Rate +3.5%	0.73