Statement of Investment Principles: DB section

Commonwealth Bank of Australia

March 2026

Public

This is the Statement of Investment Principles (the "Statement") made by Capital Cranfield Pension Trustees Limited, (the "Trustee") as Trustee to the Defined Benefit Section of the Commonwealth Bank of Australia (UK) Staff Benefits Scheme (the "Scheme") in accordance with the 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 Investment Practice of Lane Clark & Peacock LLP.

Scheme Objective and Strategy

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis.

To achieve this, the Trustee has entered into a bulk annuity contract with Legal and General Assurance Society Limited ("L&G") which matches the pensions payable to all the deferred and pensioner members. The annuity policy is a "buy-in" and therefore remains an asset of the Scheme.

With the exception of some residual assets held with Legal & General Investment Management ("LGIM") within a cash fund, a small cash holding in the Trustee's bank account, and some historical individual member annuity policies held, the annuity policy with L&G represents the Scheme's only asset.

Risk

The Scheme is exposed to a number of risks which pose a threat to the Scheme meeting its objectives. The principal risks affecting the Scheme are:

Funding risks

- Financial mismatch
    1. The risk that Scheme assets fail to grow in line with the developing cost of meeting the liabilities.
    2. The risk that unexpected inflation increases the pension and benefit payments and Scheme assets do not grow fast enough to meet the increased cost.
- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of the Scheme benefits.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Scheme's liabilities.

Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.



- Illiquidity - The risk that the Scheme cannot meet its immediate liabilities because it has insufficient liquid assets. This risk has been mitigated by the purchase of the bulk annuity contract with L&G. L&G is required to pay the Scheme an amount equal to the payments due to members.
- At the current time the Scheme does not hold investments in illiquid assets, other than the bulk annuity contract with L&G.
- Currency risk – The risk that the currency of the Scheme's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Manager underperformance - The failure by the fund manager to achieve the rate of investment return assumed in setting its mandates.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Trustee seeks professional advice.
- Custody risk - The risk of losing economic rights to Scheme assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.

The Trustee has acted to significantly reduce the risks described above by purchasing a bulk annuity contract with L&G and holding the remaining assets in cash plus some historic individual member annuity policies.

Realisation of Investments

The Scheme's invested assets with LGIM may be realised quickly if required.

The Trustee's annuity provider, L&G, has liability for paying the benefits of the members of the Scheme. At present, L&G pays the pension payroll into the Trustee bank account, with the Trustee's administrator processing the payments.

Manager incentives

Manager remuneration is determined prior to initial investment. It is based on commercial considerations and typically set on an ad valorem basis. The complete basis of remuneration of the investment manager may be subject to commercial confidentiality, however, the Trustee will seek transparency of all costs and charges borne by members.

When selecting funds, the Trustee will ask their investment adviser to consider the investment managers' fees and appropriateness of each fund's benchmarks, investment objectives and guidelines in relation to those fees. Ongoing assessment is carried out in the following ways:

- The Trustee monitors the investment manager's 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 manager is 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 strategy.

Portfolio turnover

The Trustee does not expect the Scheme's underlying investment manager to take excessive short-term risk and will monitor 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 will ask the investment manager 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 of if the level of turnover seems excessive relative to that manager's investment style and process.

Portfolio duration

The Trustee chooses funds which are expected to deliver sustainable returns over the Scheme's investment horizon. The Trustee will carry out necessary 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.

Turnover of funds will generate transaction costs for the Scheme and turnover should not necessarily be as a result of short-term underperformance relative to benchmarks.

Social, Environmental and Governance Considerations

Consideration of financially material factors in investment arrangements

The Scheme is a long term investor, which aims to deliver a sustainable pension fund ensuring that it is affordable, delivers financially to meet the objectives of the Scheme employers and is invested responsibly.

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 both adversely and positively impact on the Scheme's financial performance and should be taken into account in the funding and investment strategies. Accordingly, the Trustee integrates the consideration of environmental, social and governance (ESG) issues throughout the funding and investment decision making process.

The fund manager is required to submit an annual report to the Trustee, to outline any ESG considerations or analysis that have arisen, and to explain any controversial investments, as well details on engagement and voting.



The Trustee expects its appointed fund manager and annuity provider 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.

The Trustee has selected climate change as a priority ESG theme to provide a focus for its monitoring of the fund manager's voting and engagement activities.

Consideration of non-financially material factors in investment arrangements

There are no exclusions or restrictions applied to investment arrangements based on non-financially material factors.

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 strategy, however as the Scheme's assets are managed and advised by third parties, the Trustee expects its delegated asset manager and annuity provider 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 and provide evidence of 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 Schemes 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.



Conflicts of interest

When choosing investment managers' funds or annuity providers, the Trustee will seek to establish that each investment manager or provider has an appropriate conflicts of interest policy in place. It is expected that investment managers or providers 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 manager and annuity provider.

Additional Voluntary Contributions (AVCs)

The Trustee gives members the opportunity to invest in AVC vehicles at the member's discretion via a range of funds managed by L&G, Baillie Gifford and M&G.

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



Appendix 1 – DB Manager and Insurance Provider Arrangements

Buy-in provider – L&G

The Trustee has selected L&G as the provider for the bulk annuity policy.

The bulk annuity policy covers the pensions payable to all of the Scheme's deferred and current pensioner members. The objective of the policy is to match the Scheme's benefit payments relating to those pensions covered by the policy.

Cash – LGIM

The Scheme currently holds residual assets with LGIM and invests in the LGIM Sterling Liquidity Fund. Key details of this Fund are set out in the table below.

Asset Class	Fund	Investment Objective	Dealing Frequency
Cash	Sterling Liquidity Fund	To provide diversified exposure and a competitive return in relation to SONIA (Sterling Overnight Index Average)	Daily

In addition, the Scheme holds historical annuity policies in respect of certain individual members, issued by Aviva, Prudential and Scottish Widows.

