

## 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.

## Our Approach

Our assurance procedures performed included, but were not limited to:

- ▶ Assessing policies and procedures established by CBA related to the issuance of its 2017 Climate Bond
- ▶ Confirming eligibility of nominated projects for inclusion in CBA's Climate Bonds
- ▶ Interviewing selected business unit and group level personnel to understand the key issues related to CBA's policies and procedures relevant for receipt and use of funds
- ▶ Reviewing selected performance information for all nominated projects, and documentation supporting assertions made in the subject matter
- ▶ Checking the accuracy of calculations performed
- ▶ Confirming internal systems and processes function as indicated, and obtaining supporting evidence
- ▶ Obtaining and reviewing evidence to support key assumptions and other data

A summary of our assurance procedures is shown in the following Table.

| Item | Requirement                         | Assurance Procedures  |
|------|-------------------------------------|---|
| 1    | Project Nomination                  | <ul style="list-style-type: none"> <li>▶ Gained new contract details for any new nominated projects since EY performed pre-issuance assurance of the Climate Bond</li> <li>▶ Received management representation that these (if any) were the only changes to the nominated projects</li> <li>▶ Reviewed CBA's quarterly climate bond review process document to understand whether there was a process in place to determine new and existing Nominated Projects and Assets met the eligibility requirements of the CBS, that the environmental objective of the bond was clearly stated, and that nominated projects met this objective</li> </ul> |
| 2    | Use of Proceeds                     | <ul style="list-style-type: none"> <li>▶ Reviewed the Climate Bond pool to confirm whether net proceeds had been allocated against the Nominated Projects and Assets and, if re-financed, projects had been identified</li> <li>▶ Reviewed the Climate Bond pool value to confirm whether the value of the pool was greater than the value of the bond issued in March 2017</li> </ul>  |
| 3    | Non-Contamination                   | <ul style="list-style-type: none"> <li>▶ Reviewed the Climate Bond pool value to confirm whether there were unallocated proceeds</li> <li>▶ Reviewed CBA's Climate Bond process documents to confirm whether processes were in place for unallocated proceeds</li> </ul>  |
| 4    | Confidentiality                     | <ul style="list-style-type: none"> <li>▶ Reviewed existing communications about Nominated Projects and Assets to the market</li> <li>▶ Reviewed CBA's Climate Bond process documents to confirm the processes in place to maintain confidentiality</li> </ul>   |
| 5    | Reporting                           | <ul style="list-style-type: none"> <li>▶ Confirmed that CBA have a process in place to report, at least annually, on the use of proceeds, temporary investment of unallocated proceed, project list, the amounts dispersed, and environmental objectives</li> </ul>   |
| 6    | Eligible projects & physical assets | <ul style="list-style-type: none"> <li>▶ Reviewed the bond's nominated projects and assets to consider whether they met the specific eligibility criteria for Wind, Solar, Low carbon transport, and Low carbon buildings (commercial)</li> </ul>   |
| 7    | Technical criteria                  | <ul style="list-style-type: none"> <li>▶ Tested nominated projects to determine whether they met the minimum technical requirements of the Climate Bonds Standard</li> <li>▶ Reviewed new nominated projects and assets to consider whether the investment areas were contained in the latest version of the Climate Bonds Taxonomy</li> </ul>  |
| 8    | Project holding                     | <ul style="list-style-type: none"> <li>▶ Reviewed the CBA Climate Bond Asset Register to consider whether the nominated projects and assets had a fair market value equal to or greater than the principal amount of the Climate Bond</li> </ul>  |
| 9    | Settlement period                   | <ul style="list-style-type: none"> <li>▶ Reviewed the CBA Climate Bond pool to determine if the net proceeds of the bond had been distributed to the Nominated Projects within 24 months of bond issuance</li> </ul>  |
| 10   | Earmarking                          | <ul style="list-style-type: none"> <li>▶ Confirmed the policies, processes, and procedures used to identify flows of proceeds related to the Climate Bond</li> </ul>  |

### Limitations

There are inherent limitations in performing assurance – for example, assurance engagements are based on selective testing of the information being examined – and it is possible that fraud, error, or non-compliance may occur and not be detected. There are additional inherent risks associated with assurance over non-financial information including reporting against standards which require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to the requirements of the Climate Bond Standard is subjective and will be interpreted differently by different stakeholder groups.

Our assurance was limited to CBA's Climate Bond, twelve months post-issuance, and did not include statutory financial statements.

### Use of Report

Our responsibility in performing our assurance activities is to the directors of CBA only and in accordance with the terms of reference for our engagement as agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Climate Bond post-issuance is entirely at its own risk. No statement is made as to whether the criteria are appropriate for any third party purpose.

### Our Independence and Assurance Team

EY confirms that it has met the Code of Ethics for Professional Accountants, APES 110, including on independence, and that our team has the required competencies and experience for this assurance engagement.



Ernst & Young



Dr Matthew Bell  
Partner  
Sydney, Australia

29 March 2018