

## Independent Reasonable Assurance Report in relation to post-issuance assurance of the Commonwealth Bank of Australia's 2017 Climate Bond

### Assurance conclusion

Based on our reasonable assurance procedures, as described in this statement as of 02 May 2019, in our opinion Commonwealth Bank of Australia's bond post-issuance processes in relation to its 2017 Climate Bond meet the selection of nominated projects and assets, internal processes and controls, and reporting post-issuance requirements of the Climate Bond Standard, in all material respects.

### Scope

We have performed a reasonable assurance engagement for the Management and Directors of the Commonwealth Bank of Australia (CBA) in relation to the use of funds raised through the issuance of a Climate Bond ('The Bond') in order to provide an opinion as to whether the subject matter detailed below meets, in all material respects, the criteria of the Climate Bond Standard ('CBS') as of 02 May 2019.

### 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 AUD650m (being CBA's original Climate Bond value) as at 28 February 2019
- ▶ Management of Climate bond proceeds
- ▶ Reporting on use of proceeds and project performance

### Criteria

The criteria for our procedures ('the criteria') is:

- ▶ Climate Bond Standard v2.1
- ▶ Climate Bond Standard sector specific guidelines:
  - ▶ Solar Energy
  - ▶ Wind Energy
  - ▶ Low Carbon Buildings (Commercial Buildings)
  - ▶ Low Carbon Land Transport

### 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:

- ▶ Reviewing any changes to policies and procedures established by CBA related to the issuance of its 2017 Climate Bond;
- ▶ Confirming eligibility of any new nominated projects for inclusion in CBA's 2017 Climate Bond
- ▶ Interviewing selected business unit and group level personnel to understand key issues related to CBA's policies and procedures;
- ▶ Reviewing selected new 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 process were functioning as indicated and obtaining supporting evidence; and
- ▶ Obtaining and reviewing evidence to support key assumptions and other data.

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

CBI Section	Requirement	Assurance Procedures
4	Project Nomination	<ul style="list-style-type: none"> <li>▶ Gained new contract details for any nominated project changes</li> <li>▶ Received management representation that these are the only changes to nominated projects</li> <li>▶ Confirmed that there is a statement on the environmental objectives of the bond</li> <li>▶ Gained an understanding of the process for determining if the nominated projects and assets met the eligibility criteria</li> <li>▶ Reviewed whether nominated projects and assets were nominated to other Certified Climate Bonds</li> </ul>
5	Use of Proceeds	<ul style="list-style-type: none"> <li>▶ Reviewed internal systems and processes to consider whether all funds received were allocated against Nominated projects</li> <li>▶ Checked that the net proceeds of the bond were not greater than the total investment in the nominated projects and assets</li> <li>▶ Confirmed nominal currency of investment in nominated projects and assets</li> </ul>
6	Non-Contamination	<ul style="list-style-type: none"> <li>▶ Reviewed dates of trades for receiving and allocating funds against dates nominated projects were assigned against the climate bond from internal systems and processes</li> </ul>
7	Confidentiality	<ul style="list-style-type: none"> <li>▶ Confirmed whether there had been any changes to confidentiality requirements related to nominated projects</li> <li>▶ Checked that disclosures to the market were aligned with the existing confidentiality agreement related to the nominated projects and assets</li> </ul>
8	Reporting	<ul style="list-style-type: none"> <li>▶ Confirmed whether CBA had reported on the use of proceeds, temporary investment of unallocated proceeds, project list, the amounts dispersed and impact of the nominated projects and assets at least annually</li> <li>▶ Reviewed whether CBA had reported quantitative performance measures of the impact of the nominated projects and assets, for example energy capacity installed, electricity generated, GHG emissions performance of buildings, number of passengers carried by public transport, number of EVs manufactured or volume of waste water treated</li> </ul>
9	Climate Bonds Taxonomy	<ul style="list-style-type: none"> <li>▶ Reviewed nominated projects against CBI eligibility criteria, including taxonomy and/or sector specific technical criteria</li> </ul>
10	Technical criteria	<ul style="list-style-type: none"> <li>▶ Confirmed whether wind, solar and low carbon transport projects continued to automatically comply with the relevant sectoral criteria</li> <li>▶ Confirmed whether the low carbon buildings assets continued to comply with the low carbon buildings criteria, with reference to NABERS data.</li> </ul>
11	Project holding	<ul style="list-style-type: none"> <li>▶ Reviewed Climate Bond Asset Register to confirm that the debt exposure (drawn) associated with Nominated projects and assets was equal to or greater than the principal amount of the Climate Bond</li> </ul>
12	Settlement period	<ul style="list-style-type: none"> <li>▶ Reviewed Climate Bond Asset Register to confirm the transfer had occurred inside CBS time limits</li> </ul>
13	Earmarking	<ul style="list-style-type: none"> <li>▶ Reviewed internal systems and processes to confirm that an earmarking process is maintained to manage and account for funding from bondholders to the nominated projects and assets</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 ASAE 3000, ASAE 3100, and the Climate Bond Standard is subjective and will be interpreted differently by different stakeholder groups.

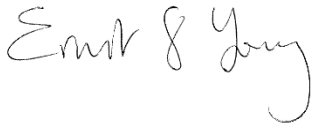
Our assurance was limited to the CBA's 2017 Climate Bond post-issuance, and did not include statutory financial statements.

### 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 2017 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

In accordance with APES 110, the firm and all professional personnel involved in this engagement have met the independence requirements of Australian or International professional ethical requirements. Our team has the required competencies and experience for this assurance engagement.



Ernst & Young



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