

Independent Limited Assurance Report to the Management of Auckland Council

Assurance conclusion

Based on our limited assurance procedures, as described in this statement as of 1 September 2020, nothing has come to our attention which causes us to believe that Auckland Council's Green Bond Programme does not continue to meet the requirements of the Climate Bonds Standard v2.1 and Green Bond Principles, and relevant Criteria in all material respects.

Scope

We have performed a limited assurance engagement in relation to Auckland Council's Green Bond Programme, in order to provide a conclusion as to whether anything has come to our attention that causes us to believe that the subject matter detailed below does not meet the criteria as presented below as at 30 June 2020.

Subject Matter and Criteria

The subject matter and associated criteria for this limited assurance engagement are set out in the table below:

Subject Matter	Criteria
<p>Auckland Council's Green Bonds issuance process, as described in Auckland Council's Green Bonds Documentation, including its updated 2020 Sustainable Finance Framework and Use of Proceeds Statement that sets out:</p> <ul style="list-style-type: none"> ▶ Use of Proceeds ▶ Project selection criteria and management of proceeds details of the Green Bonds ▶ Internal systems and processes used to manage the proceeds and report on the Green Bonds. <p>Auckland Council's Green Bonds documentation including the Sustainable Finance Framework.¹</p>	<p>The Climate Bonds Standard Version 2.1, including the Low Carbon Land Transport Eligibility Criteria²</p> <p>The Green Bond Principle's requirements on:</p> <ul style="list-style-type: none"> ▶ Use of Proceeds ▶ Process for Project Evaluation and Selection ▶ Management of Proceeds ▶ Reporting³
<p>Technical details of the assets identified as 'green' ('eligible assets') and their values as at 30 June 2020 in the Green Bonds Eligible Assets Schedule</p>	<p>Auckland Council's Sustainable Finance Framework</p>

¹ Auckland Council Sustainable Finance (Green Bond) Framework <https://www.aucklandcouncil.govt.nz/about-auckland-council/business-in-auckland/Pages/investor-centre.aspx>

² Climate Bonds Standard: https://www.climatebonds.net/files/files/Climate%20Bonds%20Standard%20v2_1%20-%20January_2017%281%29.pdf

Climate Bond Standard – Low Transport Criteria:

<https://www.climatebonds.net/files/files/Low%20Carbon%20Transport%20Background%20Paper%20Redraft%20Final%20Feb%202017%20%282%29.pdf>

³ Green Bond Principles: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Green-Bonds-Principles-June-2018-270520.pdf>

Management Responsibility

The management of Auckland Council 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 Green Bond programme.

Assurance Practitioner's Responsibility

Our responsibility was to express a limited assurance conclusion as to whether the subject matter was not presented in accordance with the criteria, in all material respects. Our assurance engagement has been planned and performed in accordance with the International Standard on Assurance Engagements (New Zealand) 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE (NZ) 3000).

Level of Assurance

A limited assurance engagement consists of making enquiries and applying analytical, appropriate testing, and other evidence-gathering procedures sufficient for us to obtain a meaningful level of assurance as the basis for providing a negative form of conclusion and, as such, do not provide all the evidence that would be required to provide a reasonable level of assurance. 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 Auckland Council related to the issuance of the Bonds, issued under Version 2.1 of the Climate Bonds Standard, to assess whether they were aligned to the requirements of the Climate Bonds Standard Version 2.1 and the Green Bond Principles (June 2018).

- ▶ Confirming the eligibility of assets included in Auckland Council's Green Bonds against Auckland Council's Sustainable Finance Framework
- ▶ Checking reported use of proceeds back to evidence on asset values and refinancing arrangements
- ▶ Interviewing selected business units and group level personnel to understand key issues related to Auckland Council's relevant policies and procedures
- ▶ Reviewing selected performance information for green bond projects, and documentation supporting assertions made in the Subject Matter
- ▶ Checking the accuracy of asset valuations
- ▶ Obtaining and reviewing evidence to support key assumptions and other data
- ▶ Seeking management representation on key assertions.

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 nonfinancial 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 ISAE (NZ) 3000, the Climate Bonds Standard v2.1, and the Green Bond Principles (June 2018) is subjective and will be interpreted differently by different stakeholder groups.

Our assurance was limited to the Auckland Council's Green Bonds Programme and did not include statutory financial statements. Our assurance is limited to policies and procedures in place as of 30 June 2020. The firm performs other Advisory engagements for Auckland Council. Other than these Advisory engagements the firm has no other relationships with, or interests in, Auckland Council.

Use of Report

Our responsibility in performing our assurance activities is to the Management of Auckland Council only and in accordance with the terms of reference for this 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 Auckland Council's Green Bond 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 *Code of Ethics for Assurance Practitioners*, the firm and all professional personnel involved in this engagement have met the independence requirements of New Zealand or International professional ethical requirements. Our team has the required competencies and experience for this assurance engagement.

Observations on particular aspects of our engagement:

We provide selected observations aligning to the Climate Bonds Standard and Green Bond Principles core components, to provide the reader with further understanding on how the Green Bonds meets the criteria. These observations are not intended to detract from our conclusion provided above.

Use of Proceeds:

- ▶ Proceeds from this Green Bonds will be used for financing and refinancing purposes.
- ▶ Proceeds support the value of electrified public trains and equipment and public cycleway infrastructure, owned or expected to be owned by Auckland Council, that meet the Climate Bonds Standard ('CBS') Low Carbon Land Transport Criteria, and the Green Bond Principles
- ▶ The value of the refinanced eligible assets is based on the net book value. If during the tenor of the Green Bonds, the value of eligible assets falls below the Green Bonds' face value, Auckland Council may obtain market valuation of assets if net book values are significantly different from the fair value
- ▶ The value of new eligible assets is based on contracts for the purchase of new trains and actual payments made by the Council to contracted parties for cycleway development, as confirmed through accounting systems and foreign currency hedging arrangements where applicable.
- ▶ The CBS Low Carbon Transport Criteria was developed by the Climate Bonds Initiative, an international, investor-focused not-for-profit organisation aiming to develop tools to mobilise the bond market for climate change solutions. The primary objective is to ensure that any land transport projects or assets certified under the CBS would contribute to meeting an emissions trajectory consistent with limiting global temperature rises to 2° Celsius

- ▶ The use of proceeds of the bonds aligns with the Green Bond Principles' project category "clean transportation (such as electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions)".

Process for Project Evaluation and Selection

- ▶ Auckland Council has developed a Sustainable Finance Framework that outlines the environmental objective of the bonds, eligibility criteria for determining green projects and the process for project selection and evaluation.

Management of Proceeds

- ▶ Auckland Council has implemented processes to manage initial funds received from the Green Bonds and to monitor the on-going use of proceeds. These processes include:
 - ▶ An ear-marking process through existing systems to designate the proceeds received
 - ▶ A process for deploying any unallocated proceeds to temporary cash equivalent investments
 - ▶ A monthly process for monitoring the on-going use of proceeds and value of eligible assets
 - ▶ Annual Use of Proceeds reporting and reporting on the environmental performance of the bonds.
- ▶ Auckland Council has committed to obtaining assurance in line with its Sustainable Finance Framework.

Reporting

Auckland Council has publicly reported on the Use of Proceeds of Green Bonds and will continue to do so annually, which will include as a minimum: a list of eligible assets, the value of the eligible assets, and the environmental performance of eligible assets.

Ernst & Young Limited



Graeme Bennett
EY Assurance Partner
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