



# Independent Assurance Provider's Limited Assurance Report

To: the Directors of City of Cape Town

## **Our limited assurance conclusion**

We have undertaken a limited assurance engagement at pre-issuance stage on the proposed City of Cape Town Green Bond to provide an independent limited assurance conclusion regarding whether:

1. The projects listed in the 'Green definitions' section of the 'Climate Bond Information Form', attached as Appendix 1 to this report, conform to the requirements of the 'Selection of Nominated Projects & Assets' section of the Pre-Issuance Requirements of the Climate Bonds Standard V2.1, and
2. The process set out in the 'City of Cape Town Green Bond Framework V2.3', attached as Appendix 2 to this report, conforms to the requirements of the 'Selection of Nominated Projects & Assets' and 'Internal Processes and Controls' sections of the Pre-Issuance Requirements of the Climate Bonds Standard V2.1.

This engagement was performed to enable the City of Cape Town to obtain climate bond certification from the Climate Bond Initiative.

Based on the procedures we have performed and evidence we have obtained, nothing has come to our attention to indicate that:

1. The projects listed in the 'Green definitions' section of the 'Climate Bond Information Form', attached as Appendix 1 to this report, do not conform to the requirements of the 'Selection of Nominated Projects & Assets' section of the Pre-Issuance Requirements of the Climate Bonds Standard V2.1, and
2. The process set out in the 'City of Cape Town Green Bond Framework V2.3', attached as Appendix 2 to this report, does not conform to the requirements of the 'Selection of Nominated Projects & Assets' and 'Internal Processes and Controls' sections of the Pre-Issuance Requirements of the Climate Bonds Standard V2.1.

## **Basis for our conclusion**

We conducted our engagement in accordance with the *International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board.

Our responsibilities under *ISAE 3000 (Revised)* and the procedures we performed have been further specified in the paragraph titled "*Our responsibility*".

## **Responsibilities of the Directors of the City of Cape Town**

The Directors of the City of Cape Town are responsible for the:

- preparation of the 'Climate Bond Information Form' and the 'City of Cape Town Green Bond Framework V2.3' in relation to the proposed City of Cape Town Green Bond in conformance with the Pre-Issuance Requirements of the 'Climate Bonds Standard V2.1', including the identification and assessment of eligibility of the projects to be financed by the bond proceeds;
- preparation and presentation of the prospective applications to the Climate Bond Standard Secretariat;
- preparation of the bond disclosure documentation in conformance with the 'Reporting Prior to Issuance' section of the Pre-Issuance Requirements of the Climate Bonds Standard V2.1;
- design, implementation and maintenance of such internal processes and controls as management determine are necessary to enable conformance to the Pre-issuance Requirements of the 'Climate Bond Standard V2.1' of the proposed City of Cape Town Green Bond and to ensure information associated



with the proposed City of Cape Town Green Bond is free from material misstatements, whether due to fraud or error;

- prevention and detection of fraud and for identifying and ensuring that the City of Cape Town complies with laws and regulations applicable to its activities; and
- implementation of procedures designed to ensure that personnel involved with the preparation and presentation of information associated with the proposed City of Cape Town Green Bond are properly trained, systems are properly updated and that any changes in reporting relevant to the pre-issuance requirements of the Climate Bond Standard V2.1 or the proposed City of Cape Town Green Bond encompass all significant business units.

### **Our independence and quality control**

We have complied with the independence and all other ethical requirements of the *Code of Professional Conduct for Registered Auditors* issued by the Independent Regulatory Board for Auditors ("IRBA") that is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Part A and B)*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with International Standard on Quality Control 1, KPMG Services Proprietary Limited maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Our responsibility**

Our responsibility is to perform our limited assurance engagement so that we are able to express our limited assurance conclusion on whether anything has come to our attention that causes us to believe that, in any material respects, the proposed City of Cape Town Green Bond has not conformed to the requirements of the 'Selection of Nominated Projects & Assets' and 'Internal Processes and Controls' sections of the Pre-Issuance Requirements of the 'Climate Bonds Standard V2.1'.

Our engagement has been performed to provide a limited level of assurance. Procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance we will obtain in our limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

A limited assurance engagement undertaken in accordance with *ISAE 3000 (Revised)* involves assessing the suitability in the circumstances of City of Cape Town use of 'Climate Bonds Standard V2.1' as the basis of preparation of the proposed City of Cape Town Green Bond, assessing the risks of material misstatement of information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected information.

The procedures we performed were based on our professional judgement and included inquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement in performing the procedures listed above, we:

- Conducted interviews with management and key staff responsible for the proposed City of Cape Town Green Bond to obtain an understanding of the processes, systems and controls in place in respect of the project evaluation and selection, use of proceeds, management of proceeds and reporting on the proposed City of Cape Town Green Bond;
- Examined the processes, systems and controls in place to evaluate and select projects and the processes, systems and controls which will be used to track and report on the use-of proceeds for the proposed City of Cape Town Green Bond;



- Inspected documentation which supports processes, systems and controls in place for the project evaluation and selection, use of proceeds, management of proceeds and reporting on the proposed City of Cape Town Green Bond;
- Examined the contents of the 'City of Cape Town Green Bond Framework V2.3' documentation and compared this with the requirements of the 'Selection of Nominated Projects & Assets' and 'Internal Processes and Controls' sections of the Pre-Issuance Requirements of the 'Climate Bonds Standard V2.1';
- For a selection of projects, inspected documentation which supports the projects being eligible for the City of Cape Town Green Bond against 'Climate Bonds Standard V2.1' and specific eligibility criteria; and
- Inspected the presentation of information regarding the proposed City of Cape Town Green Bond in the pre-issuance applications to the Climate Bonds Standard Secretariat for consistency with our findings.

#### **Emphasis of Matter**

We draw attention to Appendix 1 - *City of Cape Town Green Bond Climate Bond Information Form, Water, Project 6*, which discloses that the Water Criteria of the Climate Bonds Standard (V2.1), Phase 2 is currently in draft. Project 6 will therefore be assessed and eligibility confirmed in the post-issuance assurance process and the funding related to this project will remain unallocated until the criteria is finalised. Our conclusion is not modified in respect of this matter.

#### **Other Matters**

The maintenance and integrity of the City of Cape Town's website is the responsibility of City of Cape Town's management. Similarly, the maintenance and integrity of the Climate Bonds Initiative's website is the responsibility of the Climate Bonds Initiative management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to the information in the pre-issuance applications to the Climate Bonds Standard Secretariat or our independent assurance report that may have occurred since the initial date of presentation on the City of Cape Town website or on the Climate Bonds Initiative website.

#### **Restriction of liability**

Our work has been undertaken to enable us to express the conclusion set out above and for no other purpose. In accordance with the terms of our engagement, we do not accept or assume liability to any party other than the Directors of the City of Cape Town, for our work, for this report, or for the conclusions we have reached.

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#### **KPMG Services Proprietary Limited**

Per Neil Morris,  
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**13 June 2017**