

Independent Reasonable Assurance Report in relation to pre-issuance of Commonwealth Bank of Australia's 2017 Climate Bond

Assurance conclusion

Based on our reasonable assurance procedures, as described in this statement as of 20 December 2016, in our opinion Commonwealth Bank of Australia's bond pre-issuance processes in relation to its 2017 Climate Bond meets the selection of nominated projects and assets, internal processes and controls, and reporting prior to 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 proposed use of funds to be 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 20 December 2016.

Subject Matter

The subject matter for our assurance is CBA's Climate Bond Issuance process, being:

- The process for evaluation and selection of Nominated projects and assets to be funded via the Climate Bond
- Minimum criteria for eligible low carbon buildings (commercial), low carbon transport and wind farms
- Policies and procedures for the management of proceeds raised from the Climate Bond
- Policies and procedures for reporting on the use of proceeds and eligible investment associated with the Climate Bond

Criteria

The criteria for our procedures ('the criteria') has been established by the Climate Bonds Initiative, being the:

- Climate Bond Standard v2.0, including eligibility criteria for wind energy generation
- Climate Bond Standard v2.0 Low Carbon Buildings criteria and guidance
- Climate Bond Standard v2.0 Low Carbon Land Transport criteria and guidance

Assurance Approach

Our assurance approach was conducted in accordance with the Australian Standards on Assurance Engagements ASAE 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*; and ASAE 3100: *Compliance Engagements*.

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 CBA's statement on the environmental objective to consider whether the bond met the CBS requirements
- Reviewing CBA's Climate Bond Framework to understand how it has met the eligibility criteria of the CBS
- Interviewing selected business unit and group level personnel to understand relevant CBA policies and procedures
- Reviewing systems, policies, and processes outlining the management of bond funds and investments in CBA's Climate Bond Framework
- Checking the accuracy of calculations performed
- Obtaining and reviewing evidence to support key assumptions and other data
- Confirming CBA's reporting process to bond holders

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

Item	Requirement	Assurance Procedures
1.1.1	Environmental Objective	<ul style="list-style-type: none"> ▶ Reviewed the statement on the environmental objective set out in CBA's Climate Bond Framework to understand whether the objective met the CBS requirements.
1.1.2	Process to select Nominated Projects and Assets	<ul style="list-style-type: none"> ▶ Reviewed the CBA Climate Bond framework to determine if there was a process to assess that Nominated Projects and Assets met the eligibility criteria of the CBS.
1.2	Assessment of Nominated Projects and Assets	<ul style="list-style-type: none"> ▶ Reviewed the Nominated Projects and Assets to determine if they met the relevant eligibility criteria of the CBS and the Environmental Objectives of the CBA Climate Bond Framework.
1.3	Nominated _Projects and Assets list	<ul style="list-style-type: none"> ▶ Reviewed CBA's Nominated Project and Asset list. ▶ Reviewed the CBA Climate Bond framework to determine if there were processes in place to maintain the list.
1.4	Nomination of Assets/Projects to other Climate Bonds	<ul style="list-style-type: none"> ▶ Reviewed the CBA Climate Bond framework to determine if there was a process to identify if projects had been nominated to other Climate Bonds.
1.5	Net Proceeds	<ul style="list-style-type: none"> ▶ Reviewed the loan documentation and debt obligation for each Nominated Project or Asset to determine whether the collective value of the Nominated Projects and Assets exceeded the net proceeds of the Bond.
2.1.1	Tracking of proceeds	<ul style="list-style-type: none"> ▶ Reviewed the CBA Climate Bond framework to determine how the net proceeds of the bond will be tracked
2.1.2	Managing unallocated proceeds	<ul style="list-style-type: none"> ▶ Reviewed the CBA Climate Bond framework to determine if there is a process for managing unallocated proceeds that met the requirements of the CBS
2.1.3	Earmarking funds to Nominated Projects and Assets	<ul style="list-style-type: none"> ▶ Reviewed the CBA Climate Bond framework to determine if there was a process for earmarking funds to Nominated Projects and Assets
3	Reporting prior to issuance	<ul style="list-style-type: none"> ▶ Reviewed the CBA Climate Bond framework to confirm that CBA will report the following information to bond holders and the CBI: <ul style="list-style-type: none"> ▶ The investment areas for the Nominated Projects and Assets ▶ The intended temporary investment instruments for unallocated proceeds ▶ The approach the assurance provider has taken to pre-issuance procedures ▶ The frequency of post-issuance assurance

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.

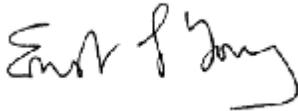
Our assurance was limited to the CBA's 2017 Climate Bond pre-issuance, and did not include statutory financial statements.

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 pre-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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20 December 2016