

Independent Limited Assurance Report to the Management of Transpower New Zealand Limited (“Transpower”)

Assurance conclusion

Based on our limited assurance procedures, as described in this statement as of 31 March 2022, nothing has come to our attention to cause us to believe that Transpower’s Green Financing Framework, pool of eligible assets and activities, and their associated and eligible debt issuances, are not in alignment with the pre-issuance requirements of the Climate Bond Initiative (“CBI”) Climate Bonds Standard Version 3.0 (December, 2019) and the technical requirements of the CBI Electrical Grid and Storage Criteria (October 2021).

Background

Transpower has developed its Green Financing Framework (“the Framework”) to further its focus on sustainability and to support its sustainability initiatives and outcomes. The Framework sets out how Transpower intends to issue and manage Green Debt Instruments on an ongoing basis. As the operator of New Zealand’s national electricity grid, Transpower supplies electricity across the country, and facilitates the uptake of increasing renewable energy generation. Transpower sought to achieve programmatic certification under the Climate Bond Initiative’s (CBI) Standard and Electrical Grids and Storage criteria. Transpower sought the assistance of a verifier to provide verification for the initial set-up of the programmatic certification.

Scope

Ernst & Young Limited (‘EY’, ‘we’) was engaged by Transpower to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements. This limited assurance engagement was conducted to report on Transpower’s Green Financing Framework, pool of eligible assets and activities, and their associated and eligible debt issuances (the “Subject Matter”), in order to conclude that nothing has come to our attention that they do not meet the Criteria presented below. The engagement included limited assurance over Transpower’s proposed eligible assets using the pre-issuance requirements of the Climate Bonds Standard Version 3.0 (“the Standard”) and the CBI’s Electrical Grids and Storage technical criteria (“the Sector Criteria”).

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>Transpower’s pre-issuance Green Financing processes, including the pool of eligible assets and activities, and their associated debt issuances, as described in Transpower’s Green Financing Framework, which sets out:</p> <ul style="list-style-type: none"> ▶ Policies and procedures related to the use of proceeds and management of proceeds raised from the Green Financing Programme ▶ Minimum criteria for eligible assets ▶ Procedures for reporting on the use of proceeds and eligible investment associated with the Green Financing Programme. 	<p>The CBI Climate Bonds Standard Version 3.0 (December 2019) Pre-Issuance Requirements on:</p> <ul style="list-style-type: none"> ▶ Use of Proceeds ▶ Process for Evaluation and Selection of Projects & Assets ▶ Management of Proceeds ▶ Reporting Prior to Issuance <p>Criteria found at: Climate Bonds Standard Version 3.0 2019</p> <p>The CBI Climate Bonds Taxonomy (January 2021) (“CBI Taxonomy”)</p> <ul style="list-style-type: none"> ▶ Transmission and Distribution <p>Criteria found at: Climate Bonds Taxonomy (January 2021)</p>

	<p>The Electrical Grids and Storage Criteria for the Climate Bonds Standard & Certification Scheme (September 2020) (“CBI Grids and Storage Criteria”)</p> <ul style="list-style-type: none"> ▶ Assets and projects that can be assessed under these criteria ▶ Mitigation criteria for grids and storage ▶ Adaptation and resilience requirements ▶ Dedicated supporting infrastructure ▶ Disclosure <p>Criteria found at: CBI Grids and Storage – Criteria Document (October 2021)</p>
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Management’s Responsibility

Transpower’s management is responsible for collecting and presenting the Subject Matter in accordance with that criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY’s responsibilities

Our responsibility is to express a limited assurance conclusion on the presentation of the Subject Matter based on the evidence we have obtained. Our conclusion expresses whether anything has come to our attention that causes us to believe that the Subject Matter, has not been presented, in all material respects, fairly and in accordance with the criteria detailed above. 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’). We are also responsible for maintaining our independence and confirm that we have met the requirements of the APES 110 Code of Ethics for Professional Accountants including independence and have the required competencies and experience to conduct this assurance engagement.

Level of Assurance

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. While we considered the effectiveness of management’s internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems. We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our Approach

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

- ▶ Assessing the Green Financing Framework against the CBI Climate Bonds Standard Version 3.0
- ▶ Assessing Transpower’s proposed eligible assets using the programmatic verification pre-issuance requirements of the CBI’s Climate Bonds Standard and the CBI’s Electrical Grids and Storage technical criteria
- ▶ Assessing the greenhouse gas emissions intensity of the Transpower network against the thresholds stated in the CBI’s Electrical Grids and Storage technical criteria
- ▶ Assessing the valuation of proposed assets against the proposed size of green debt
- ▶ Assessing the adaptation and biodiversity strategies of Transpower against the adaptation and resilience checklist as stated in the CBI’s Electrical Grids and Storage technical criteria
- ▶ Requesting documentation to support assertions made in the Subject Matter
- ▶ 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 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 ISAE (NZ) 3000 is subjective and will be interpreted differently by different stakeholder groups.

Our assurance was limited to Transpower's Green Financing Programme and relevant information and did not include statutory financial statements. Our assurance is limited to policies and procedures in place as of 31 March 2022, ahead of the issuance of the Loan.

Our Independence

We confirm that EY has complied with all professional regulations relating to Independence in relation to this engagement. EY has stringent policies and procedures in place to ensure independence requirements are addressed and monitored on a timely basis.

Use of Our Limited Assurance Engagement Report

This Report has been prepared for the Management and Directors of Transpower and for the Climate Bonds Initiative, for the sole purpose of reporting on Transpower's Green Financing Framework, pool of eligible assets and activities, and their associated and eligible debt issuances, and compliance with the Standard and Criteria. Accordingly, we disclaim any responsibility for any reliance on this report to any persons or users other than the intended users, or for any purpose other than that for which it was prepared.

Ernst & Young Limited



Pip Best
EY New Zealand Climate Change and Sustainability Service Partner
26 April 2022



Annex A

Eligible assets

The eligible assets for Transpower's Green Financing Programme are listed below.

Nominated Asset	Class	Country
HVAC transmission lines	Electrical Grids and Storage	New Zealand
HVDC transmission lines		
HVAC substations		
HVAC substations and submarine cables		