

Independent Reasonable Assurance Report in relation to assurance of the Commonwealth Bank of Australia's Climate Bond Asset Pool and Impact Report

Assurance conclusion

Based on our reasonable assurance procedures, as described in this statement as of 11 August 2020, in our opinion the Commonwealth Bank of Australia's climate bond issuance processes in relation to its Climate Bond Asset Pool meets the Use of Proceeds, Process for Evaluation and Selection of Projects & Assets, Management of Proceeds, and Impact Report 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 Climate Bonds ('The Bonds'), and its Impact Report, 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 11 August 2020.

Subject Matter

The subject matter for our Climate Bond assurance is limited to:

- ▶ The Commonwealth Bank's policies and procedures in connection with the use of proceeds raised from the issuance of the Bonds
- ▶ The Commonwealth Bank's process for evaluation and selection of nominated projects and assets to be funded via the Bonds
- ▶ The environmental performance information relating to the nominated projects and assets within the associated asset pool
- ▶ The Commonwealth Bank's policies and procedures in connection with the management of proceeds raised from the Bond, and
- ▶ The Commonwealth Bank's procedures for reporting on the use of proceeds and eligible investments associated with the Bond
- ▶ The Commonwealth Bank's Climate Bond Impact Report

Criteria

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

- ▶ The Climate Bond Standard v3
- ▶ Asset-specific Criteria issued by the Climate Bonds Initiative and relevant to the assets included in the Bond pool
- ▶ The Commonwealth Bank's internal policies and procedures

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 ASAE 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE3100: *Compliance Engagements*.

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

The assurance procedures we undertook included, but were not limited to:

- ▶ Assessing policies and procedures established by CBA related to the issuance of the Impact Report
- ▶ Confirming eligibility of nominated projects for inclusion in CBA’s Impact Report against the Use of Proceeds Criteria within the CBS
- ▶ Interviewing selected business unit and group-level personnel to understand key issues related to CBA’s policies and procedures
- ▶ Reviewing selected performance information for nominated projects, and documentation supporting assertions made in the Subject Matter
- ▶ Checking the accuracy of calculations performed
- ▶ Confirming internal systems and processes were functioning as indicated and obtaining supporting evidence
- ▶ Confirming the maximum potential value of debt to understand the basis and integrity for the value of the bond
- ▶ Obtaining and reviewing evidence to support key assumptions and other data
- ▶ Reviewing the draft Impact Report
- ▶ Seeking management representation on key assertions

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

CBS Section	Requirement	Assurance Procedures
1	Use of Proceeds	<ul style="list-style-type: none"> ▶ Confirmed that CBA had documented the Nominated Projects and Assets associated with the bonds. ▶ Confirmed that the Net Proceeds of the Bonds were no greater than the issuer’s total investment exposure/Market Value to the proposed Nominated Projects & Assets. ▶ Reviewed whether the nominated projects and assets were not nominated to other Certified Climate Bonds.
2	Process for Evaluation and Selection of Projects & Assets	<ul style="list-style-type: none"> ▶ Confirmed that there is a statement on the environmental objectives of the Bonds. ▶ Confirmed that CBA had considered how the climate-related objectives of the Bonds are positioned within the context of CBA’s overarching environmental objectives, strategy, policy and/or processes relating to environmental sustainability. ▶ Confirmed that CBA has documented a rationale for issuing the Bonds. ▶ Confirmed that there was a process in place to determine whether the Nominated Projects & Assets meet eligibility requirements specified in Part C of the Climate Bonds Standard. Confirmed that this included reference to related eligibility criteria and any green standards or certifications referenced in the selection of Nominated Projects & Assets.
3	Management of Proceeds	<ul style="list-style-type: none"> ▶ Reviewed CBA’s Climate Bond framework to determine whether processes and controls in place are adequate to track proceeds. ▶ Reviewed CBA’s Climate Bond framework to determine whether processes and controls in place are adequate to manage unallocated proceeds. ▶ Reviewed CBA’s Climate Bond framework to determine whether processes and controls in place are adequate to earmark funds to Nominated Projects & Assets.
4	Reporting prior to issuance	<ul style="list-style-type: none"> ▶ Confirmed that CBA had prepared a Green Bond Framework (Framework), and that this included the following: <ul style="list-style-type: none"> ▶ Confirmation that Bonds issued under the Framework are aligned with the Climate Bonds Standard ▶ A summary of the expected use of proceeds ▶ A description of the decision-making process for the selection of Nominated Projects & Assets

		<ul style="list-style-type: none"> ▶ Information on the methods and assumptions used, in either determining the eligibility of Nominated Projects & Assets, or when determining their performance for disclosure in impact reporting ▶ A summary of the approach to the management of unallocated Net Proceeds ▶ The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the bond remains outstanding ▶ The list of Nominated Projects & Assets associated with the Bond and the investment areas in which they fall ▶ An estimate of the proportion of Net Proceeds used for refinancing, if applicable
9	Climate Bond Taxonomy	<ul style="list-style-type: none"> ▶ Confirmed that Nominated Projects & Assets fell into one of the investment areas listed as included in the Climate Bonds Taxonomy.
10	Sector Eligibility Criteria	<ul style="list-style-type: none"> ▶ Confirmed that Nominated Projects & Assets met the specific eligibility requirements provided in the relevant Sector Eligibility Criteria documents.
11	Impact Report	<ul style="list-style-type: none"> ▶ Confirmed that the presentation of the Impact Report provided a materially accurate and complete account of CBA's Green Bond impacts.

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 that require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. The value of individual residential mortgages is subject to considerable daily fluctuation which is not able to be captured through static testing. Finally, adherence to ASAE 3000, ASAE 3100, and the Climate Bond Standards is subjective and will be interpreted differently by different stakeholder groups. Our assurance was limited to the CBA's issued Climate Bonds and impact reporting, and did not include statutory financial statements.

Use of Report

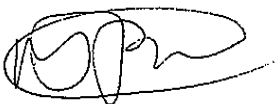
Our responsibility in performing our assurance activities is to the Directors of CBA only and in accordance with the terms of reference for our engagement as agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the 2020 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



Dr Matthew Bell
Partner
Brisbane, Australia

11 August 2020

Annex A

Climate Bond Standard V3 criteria

CBA's 2020 Impact Report was assured against the following requirements as specified in the Climate Bond Standard v3 (CBS).

CBS Sections	Requirement	Assurance Procedures	Demonstration of Compliance (Summary)
1	Use of Proceeds	<ul style="list-style-type: none"> ▶ Confirm that CBA has documented the Nominated Projects and Assets which are proposed to be associated with the bond. ▶ Confirm that the Net Proceeds of the Bond are no greater than the issuer's total investment exposure/Market Value to the proposed Nominated Projects & Assets. ▶ Review that nominated projects and assets are not nominated to other Certified Climate Bonds. 	<ul style="list-style-type: none"> ▶ CBA has prepared an asset register documents the Nominated Projects and Assets that are proposed to be associated with the bond. ▶ The Net Proceeds of the Bond are no greater than CBA's total investment exposure to the proposed Nominated Projects & Assets. Further, the Net Proceeds of all Bonds on issue are no greater than the pool of Verified Assets within CBA's Climate Bond Asset Pool (inclusive of those assets assured during the assurance of CBA's 2017 Climate Bond). ▶ It was confirmed that nominated projects and assets were not nominated to other Certified Climate Bonds, notwithstanding the existing Climate Bond which CBA has on issue - as CBA is issuing multiple bonds against a single pool of assets, with the intention that the value of Certified assets at all times is greater than the value of bonds on issue. The overall intention of Section 1.4 of the CBS has been met, in that assets are fully funded by distinct, separate funding streams, and there is no double counting of funding.
2	Process for Evaluation and Selection of Projects & Assets	<ul style="list-style-type: none"> ▶ Confirm that there is a statement on the environmental objectives of the Bond. ▶ Confirm that CBA has considered how the climate-related objectives of the Bond are positioned within the context of CBA's overarching environmental objectives, strategy, policy and/or processes relating to environmental sustainability. ▶ Confirm that CBA has documented a rationale for issuing the Bond. <p>Confirm that there is a process in place to determine whether the Nominated Projects & Assets meet eligibility requirements specified in Part C of the Climate Bonds Standard. Confirm that this includes reference to related eligibility criteria and any green standards or certifications referenced in the selection of Nominated Projects & Assets.</p>	<ul style="list-style-type: none"> ▶ It was confirmed that there is a statement on the environmental objectives of the Bond. ▶ CBA has determined Climate Finance targets of financing \$15 billion of low carbon lending assets by 2025 - which this Bond supports. This represents the Bond's linkage to CBA's environmental strategy, as well as the rationale for issuing the bond. ▶ It was determined that there is a robust process in place to determine whether Nominated Projects & Assets meet the eligibility requirements specified in Part C of the Climate Bonds Standard. The Green, Social and Sustainability steering committee is ultimately responsible for the identification and verification of potential Nominated Projects & Assets. CBA has empowered business units within the organisation to be responsible for the identification of eligible assets, which are subsequently reviewed by the Green, Social and Sustainability steering committee. This maximises the opportunity for the identification of potential eligible assets throughout the business, as well as a distinct review committee with clear accountabilities.
3	Management of Proceeds	<ul style="list-style-type: none"> ▶ Review CBA's Climate Bond framework to determine whether processes and controls are adequate in place to track proceeds. ▶ Review CBA's Climate Bond framework to determine whether processes and controls are adequate in place to manage unallocated proceeds. 	<ul style="list-style-type: none"> ▶ Processes and controls were in place and deemed sufficient in order to track proceeds. CBA utilise existing internal systems which are used to track bond transactions and have added additional tags to track proceeds against assets being included within the Climate Bond. ▶ Sufficient policies and procedures have been implemented in order to manage unallocated proceeds - to be held in cash or cash equivalents.

CBS Sections	Requirement	Assurance Procedures	Demonstration of Compliance (Summary)
		<ul style="list-style-type: none"> ▶ Review CBA's Climate Bond framework to determine whether processes and controls are adequate in place to earmark funds to Nominated Projects & Assets. 	<ul style="list-style-type: none"> ▶ An appropriate earmarking process is in place to manage and account for funding to the Nominated Projects & Assets via CBA's internal processes and systems.
4	Reporting prior to issuance	<ul style="list-style-type: none"> ▶ Confirm that CBA has prepared a Green Bond Framework (Framework), and that this includes the following: <ul style="list-style-type: none"> ▶ Confirmation that Bonds issued under the Framework are aligned with the Climate Bonds Standard ▶ A summary of the expected use of proceeds ▶ A description of the decision-making process for the selection of Nominated Projects & Assets ▶ Information on the methodology and assumptions used, in either determining the eligibility of Nominated Projects & Assets, or when determining their performance for disclosure in impact reporting. ▶ A summary of the approach to the management of unallocated Net Proceeds. ▶ The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the bond remains outstanding ▶ The list of Nominated Projects & Assets associated with the Bond and the investment areas in which they fall. ▶ An estimate of the proportion of Net Proceeds used for refinancing, if applicable 	<ul style="list-style-type: none"> ▶ CBA has prepared a Green Bond Framework (known as the Climate Bond Framework) and this is the document that has been referred to, to determine whether compliance has been met for all other CBS sections. ▶ All sections that are mandatory per section 4.1 of the CBS are included. ▶ CBA intend to release annual impact reporting (which is inclusive of the requirement of releasing an 'Update Report' demonstrating compliance of the CBS) - but also includes detail on the environmental performance of all Bonds on issue, through the disclosure of impact metrics, relevant to the Nominated Projects & Assets that Bonds on issue are funding.
9	Climate Bond Taxonomy	<ul style="list-style-type: none"> ▶ Confirm that nominated Projects & Assets fall into one of the investment areas listed as included in the Climate Bonds Taxonomy. 	<ul style="list-style-type: none"> ▶ All assets fall into investment areas included in the Climate Bonds Taxonomy. Assets verified all fall under the 'Residential Buildings' investment area - with eligibility criteria applied as per Section 10 of the CBS.
10	Sector Eligibility Criteria	<ul style="list-style-type: none"> ▶ Confirm that nominated Projects & Assets meet the specific eligibility requirements provided in the relevant Sector Eligibility Criteria documents. ▶ Test, on a sample basis, the eligibility of residential solar mortgages. 	<ul style="list-style-type: none"> ▶ A sample of 25 underlying residential mortgages and 15 other assets were tested and verified to meet the specific eligibility requirements within the relevant sectoral criteria.
11	Impact Report	<ul style="list-style-type: none"> ▶ Confirm that the presentation of the Impact Report provides a materially accurate and complete account of CBA's Green Bond impacts. 	<ul style="list-style-type: none"> ▶ The Impact Report was reviewed for consistency with the underlying compliance and substantive assurance and relevant Green Bond data. All discrepancies were raised with management and corrected in the final Impact Report.

Annex B

Total Value of CBA's Nominated Projects and Assets Pool

Taxonomy Grouping	Existing/New	Value (AUDm)
Renewable Energy - Wind	Existing	357.69
Renewable Energy - Solar	Existing	269.96
Clean Transportation	Existing	385.49
Green Commercial Buildings	Existing	636.36
Green Residential Buildings	Existing	863.78

Annex C

Comparison of Asset Pool against Bonds on Issue / Proposed Bonds

Asset/Liability	Value (AUDm)
Total Asset Pool	2,513.28
Value of Climate Bond 2017	(650.00)
Value of Green US Commercial Paper 2020	(218.85)
Value of Green Term Deposits	(146.62)
Margin of safety	1,497.81