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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 9 August 2021, 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', 'Commonwealth Bank') 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 9 August 2021.

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 conducted 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 for each section of the CBS is shown in the following Table.

CBS Section	Requirement	Assurance Procedures
5	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.
6	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.
7	Management of Proceeds	<ul style="list-style-type: none"> ▶ Reviewed implementation of CBA's Climate Bond framework to determine whether processes and controls in place are adequate to track proceeds. ▶ Reviewed implementation of CBA's Climate Bond framework to determine whether processes and controls in place are adequate to manage unallocated proceeds. ▶ Reviewed implementation of CBA's Climate Bond framework to determine whether processes and controls in place are adequate to earmark funds to Nominated Projects & Assets.
8	Reporting	<ul style="list-style-type: none"> ▶ Reviewed implementation of CBA's Climate Bond framework, including: <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 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 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 ▶ Reviewed CBAs draft Impact Report to confirm consistency with the requirements of the Climate Bonds Standard. ▶ Confirmed that the presentation of the Impact Report provided a materially accurate and complete account of CBA's Green Bond impacts.

CBS Section	Requirement	Assurance Procedures
9	Climate Bond Taxonomy	► Confirmed that Nominated Projects & Assets fell into one of the investment areas listed as included in the Climate Bonds Taxonomy.
10	Sector Eligibility Criteria	► Confirmed that Nominated Projects & Assets met the specific eligibility requirements provided in the relevant Sector Eligibility Criteria documents.

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 and ASAE 3100 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 and to the Climate Bonds Initiative only and in accordance with the terms of reference for our agreements 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 2021 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



Elizabeth Rose
Partner
Brisbane, Australia

9 August 2021