

Te pūrongo ā-tau a te Puka Here Kākāriki 2019/2020

Green bond annual report

2019/2020





Ngā ihirangi

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Kupu whakataki

Introduction

As the territorial local authority for the Auckland region, Auckland Council is responsible for:

- enabling democratic local decision-making and action, by communities and on their behalf
- promoting the social, economic, environmental and cultural well-being of communities in the present and for the future (section 10(1) of the Local Government Act 2002).

In performing its role, a local authority must act according to several key principles, including a sustainable development approach that considers:

- the social, economic and cultural interests of people and communities
- the need to maintain and enhance the quality of the environment
- the reasonably foreseeable needs of future generations (section 14(1)(h) of the Local Government Act 2002).

In response, the Auckland Council Group has committed to reduce our regional greenhouse gas emissions by 50 per cent by 2030 and achieve net zero emissions by 2050 while preparing for the impacts of climate change. The group undertakes a number of activities that guide our response to climate change. This includes promoting the use of sustainable finance mechanisms, such as green bonds, that direct capital towards sustainable outcomes.

The Auckland Council Group issued its second Green Bond in July 2019. We have raised a total of \$350 million in Green Bonds since 2018, enabling the group to align our funding streams with our sustainability and climate goals.

Proceeds from our second Green Bond issue were applied to refinancing the region's electric train fleet and cycleways, which contributed towards a broad range of positive impacts including a reduction in greenhouse gas emissions. This report provides investors with a detailed update of our Green Bond activities, use of proceeds and impact reporting.



Te Kaunihera o Tāmaki Makaurau me ngā tikanga tokonga roa

Auckland Council and sustainability

The council's activities are guided by the Auckland Plan 2050, which sets the direction for how Auckland will grow and develop over the next 30 years. The plan responds to the key challenges we face today – high population growth, sharing prosperity among all Aucklanders and reducing environmental damage (see [The Auckland Plan](#)).

Sustainability, environmental protection and climate action are embedded in the Auckland Plan. The plan also includes the development strategy, which guides critical investment in planning and infrastructure and describes how and where growth should occur over the next 30 years to achieve the plan's outcomes.

The Auckland Council Group has several plans and strategies that support the delivery of specific aspects of the Auckland Plan. One of those is Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan, adopted on 21 July 2020. This plan sets a path to halving greenhouse gas emissions by 2030 to keep within 1.5°C of warming, while ensuring Auckland is prepared for the impacts of climate change (see [Auckland's Climate Plan](#)).

We use several tools to fund our contribution towards delivering the Auckland Plan and the Climate Plan; our Green Bonds are one of those tools.



Te whakamahi i ngā moni whiwhi

Use of proceeds

The council group has allocated proceeds of the Green Bonds to financing planned projects and assets with positive environmental outcomes which conform to the eligibility criteria set out below (see eligible assets table on [page 6](#)), or to refinancing corporate debt that supports eligible assets.

A limited assurance was carried out against the International Capital Market Association (ICMA) Green Bond Principles (GBP) criteria, and 10 new assets were added to the group's pool of Green Bond eligible assets. Proceeds from this Green Bond will be used for financing new projects and refinancing purposes. New Green Bonds have not been issued since these assets were added to the eligible assets pool, so we have not included impact reporting against these assets (see assurance statement in [appendix 1](#)). Impacts have been provided for eligible assets already funded through a Green Bond issuance (see impact assessment on [page 13](#)).

The eligible assets have been mapped against the relevant United Nations Sustainable Development Goals (UN SDGs).



Te uaratanga o ngā rawa māraurau

Value of eligible assets

No.	Eligible asset	Eligible asset details	Eligible sector (see Auckland Council's sustainable finance framework)	Climate Bond Initiative (CBI) criteria/GBP alignment	UN SDG alignment	Asset value (book value) NZ\$m	Asset value (project cost) NZ\$m	Future spend (project cost) NZ\$m	CBI certified asset
1	Electric multiple unit	Original rolling stock of electric trains (started operating in 2014)	Low Carbon Transport	GBP: Clean Transportation CBI: Low Carbon Land Transport Criterion 3 – Electrified Public Transport		\$401.6	N/A	None	Yes
2	Electric multiple unit	Retrofitting of existing electric multiple units (started in 2019)	Low Carbon Transport	GBP: Clean Transportation CBI: Low Carbon Land Transport Criterion 3 – Electrified Public Transport		\$10.1	N/A	None	Yes
3	Electric multiple unit	New rolling stock of electric trains (started in 2017)	Low Carbon Transport	GBP: Clean Transportation CBI: Low Carbon Land Transport Criterion 3 – Electrified Public Transport		\$109.2	N/A	\$132.0	Yes



Value of eligible assets cont.

No.	Eligible asset	Eligible asset details	Eligible sector (see Auckland Council's sustainable finance framework)	Climate Bond Initiative (CBI) criteria/GBP alignment	UN SDG alignment	Asset value (book value) NZ\$m	Asset value (project cost) NZ\$m	Future spend (project cost) NZ\$m	CBI certified asset
4	Public cycleway assets	Public cycling and walking infrastructure (started construction in 2012)	Low Carbon Transport	GBP: Clean Transportation CBI: Low Carbon Land Transport Criterion 6 – All other infrastructure	 	N/A	\$109.4	None	Yes
5	City Rail Link	New rail tunnel and station to enhance network and enable high electric rail use (started construction in 2016)	Low Carbon Transport	GBP: Clean Transportation		N/A	\$647.2	\$1,704.5 (unaudited)	No
6	Electric train depot	Maintenance depot for electric trains to improve reliability of network and enable higher electric train use (started construction in 2012)	Low Carbon Transport	GBP: Clean Transportation		\$84.7	N/A	None	No
7	Manukau bus interchange	Station connecting bus users to other buses and the rail network (started construction in 2016)	Low Carbon Transport	GBP: Clean Transportation	 	\$28.7	N/A	None	No



Value of eligible assets cont.

No.	Eligible asset	Eligible asset details	Eligible sector (see Auckland Council's sustainable finance framework)	Climate Bond Initiative (CBI) criteria/GBP alignment	UN SDG alignment	Asset value (book value) NZ\$m	Asset value (project cost) NZ\$m	Future spend (project cost) NZ\$m	CBI certified asset
8	Street lighting LED upgrade	LED upgrade to reduce energy consumption (stage 1 completed 2018, stage 2 delivery started 2019)	Energy Efficiency	GBP: Energy Efficiency	 	\$23.4	N/A	\$52.1 (unaudited)	No
9	Bledisloe House	Customer Service Centre 24 Wellesley Street West, Auckland (NABERSNZ rated refurbishment completed in 2014)	Efficient Buildings	GBP: Green Buildings		\$49.2	N/A	None	No
10	Auckland Council head office	135 Albert Street, Auckland (NABERSNZ rated upgrade completed in 2015)	Efficient Buildings	GBP: Green Buildings		\$171.7	N/A	None	No
11	Manukau Civic Building	31 Manukau Station Road, Auckland (NABERNZ rated refurbishment completed in 2009)	Efficient Buildings	GBP: Green Buildings		\$11	N/A	None	No



Value of eligible assets cont.

No.	Eligible asset	Eligible asset details	Eligible sector (see Auckland Council's sustainable finance framework)	Climate Bond Initiative (CBI) criteria/GBP alignment	UN SDG alignment	Asset value (book value) NZ\$m	Asset value (project cost) NZ\$m	Future spend (project cost) NZ\$m	CBI certified asset
12	Fred Thomas Drive	Wastewater storage and pumping station (started construction in 2016)	Sustainable Water Management	GBP: Sustainable Water and Wastewater Management		\$27.7	N/A	None	No
13	Hunua water main pipeline	New watermain infrastructure able to provide uninterrupted, high-quality water supply to growing region (started construction in 2012)	Sustainable Water Management	GBP: Sustainable Water and Wastewater Management		\$327.9	N/A	None	No
14	Rehabilitation of Puketutu Island	Rehabilitation of the island using treated biosolids from Mangere Wastewater Treatment Plant (started in 2013)	Sustainable Water Management	GBP: Sustainable Water and Wastewater Management	  	\$122.9	N/A	None	No
Total CBI certified eligible Green Bond assets						\$520.9	\$109.4	\$132	
Total Non-CBI certified eligible Green Bond assets						\$884.8	\$647.2	\$1,756.6 (unaudited)	
Total Green Bond eligible assets						\$2,162.3		\$1,888.6	



Te uaratanga o ngā Puka Here Kākāriki i te wā ka puta
Value of green bonds on issue

Date of issue	Maturity date	Bond details	Bond face value (NZ\$m)
27 June 2018	27 June 2023 (5 years)	3.17% unsubordinated, CBI certified, fixed rate retail bonds in NZ\$	\$200
10 July 2019	10 July 2025 (6 years)	2.013% unsubordinated, CBI certified, fixed rate retail bonds in NZ\$	\$150
Total			\$350



Te whakaū i tā mātou tohatoha o ngā moni whiwhi

Confirmation of our allocation of proceeds

Total CBI certified Green Bonds outstanding (NZ\$m)	350
Total CBI certified eligible asset value (NZ\$m)	630.3

Auckland Council confirms that the value of the CBI Certified eligible assets is greater than the face value of the Green Bonds outstanding and there are no unallocated proceeds.

Te takoha taurite a ngā Puka Here Kākāriki

Green bonds' relative contribution

In the latest register of Green Bond eligible assets, the total CBI certified asset value for Auckland Transport's electric trains and cycleways was \$630.3 million. This means the \$350 million raised through the Green Bond issuance make up 55.5 per cent of the asset value. This percentage should frame the relative contribution of Green Bond proceeds to the impacts and benefits of electric trains and cycleways described in the impact assessment section.



Te tirohanga whānui o te kaupapa Puka Here Kākāriki

Overview of green bond issue

In July 2019, The Auckland Council Group issued its second Green Bond, further strengthening the group's position in the sustainable finance market and reinforcing its group-wide commitment to sustainability.

Key terms of the 2019 Green Bond issue are shown in the table below.

Issue rating	AA Stable (S&P Global Ratings) / Aa2 Stable (Moody's)
Instrument	Unsubordinated, fixed rate bonds
Tenor	5 years
Certification	Green Bond certification from Climate Bonds Initiative (CBI)
Issue date	10 July 2019
Maturity date	10 July 2025
Issue amount (NZ\$m)	150





Te whakaaweawe o ā mātou Puka Here Kākāriki

Impact of our green bonds

Funds raised through Green Bonds to date have been used to finance and refinance the region’s electric trains, public cycleways and associated infrastructure. This impact assessment details the assets’ contribution towards reducing greenhouse gas emissions and achieving broader benefits.

Ngā ara pahikara tūmatanui Public cycleways

More than 230,000 people live within a 30-minute bicycle ride of Auckland’s city centre and more than 736,000 within a 15-minute bicycle ride to a bus stop, train station or ferry terminal. New cycleways have partly enabled the rapid growth of bicycle movements and distances travelled by bicycle in recent years (see Figure 1 on [page 15](#)).

With better network links to public transport hubs, cycling and walking is becoming an easier and more accessible choice, enabling Aucklanders to switch their mode of travel from private vehicles to public transport.

Auckland Transport (an Auckland Council-controlled organisation) has not only been maintaining and upgrading existing cycleways but also investing in many new projects to support travel by bicycle as a safe mode of transport (see [Auckland Transport’s Cycling and Walking Programme](#)).

Green Bond eligible asset schedule for public cycleway assets

No.	Eligible asset	Eligible asset details	Eligible sector (see Auckland Council’s sustainable finance framework)	Climate Bond Initiative (CBI) criteria/GBP alignment
1	Public cycleway assets	Public cycling and walking infrastructure	Low Carbon Transport	GBP: Clean Transportation CBI: Low Carbon Land Transport Criterion 6 – All other infrastructure

Ngā hua whānui

Broad benefits

Since 2012/2013, the use of Auckland's cycleways has increased from 1.4 million to 4.9 million movements in 2019/2020¹ and the distance travelled by people on bikes has increased from 36.5 million km in 2012 to 92.6 million km in 2018. Introducing cycleways has helped Aucklanders safely reach their destinations such as work, school, friends, recreation and healthcare, and contributed to the vision set out in the Transport and Access outcome of the Auckland Plan.

The expansion of Auckland's cycleway network delivers the following benefits:

- reduced greenhouse gas (GHG) emissions by substituting all or part of motorised travel with a bicycle
- increased accessibility and safety for people on bicycles
- encouragement of more people to be more active, improving well-being
- reduced air and noise pollution when people on bicycles substitute motorised trips
- reduced household cost; research shows households that use one less car could save around \$10,000 a year in household costs²
- increased space on the road from fewer vehicles, reducing congestion
- greater range of travel options in the city
- improved connections by creating a network of cycleways across the city.

¹ Auckland Transport collects the number of cycle movements at sites across the region using permanent, automated cycle monitoring equipment. https://www.google.com/maps/d/u/0/viewer?mid=1I_V7hizvrZo8na_qVr99m5fFqcTypwWp&ll=-36.85503949048022%2C174.75221922504383&z=12

² <https://at.govt.nz/media/1974167/auckland-cycling-10-year-plan-july-2017.pdf>





Te whakaiti i ngā whakaputanga hau kino whare-karaehe Reduction of greenhouse gas emissions

Auckland Transport (AT) maintains and manages the region’s transport network, which includes roads (except state highways) and footpaths, cycleways, parking and public transport.

This year AT assessed the level of avoided greenhouse gas (GHG) emissions from the shift to travel by bicycle. Figure 1 shows an estimate of the avoided GHG emissions from cycling in Auckland since 2012. Suitable data is not available for the specific cycleways funded by our Green Bond issuance, so the impact on GHG emissions has been estimated for all cycling trips in Auckland.³

We estimated the avoided GHG emissions by calculating the kilometres cycled each year in Auckland and comparing them with distance travelled in private vehicles. Figure 1 shows that from June 2012 to June 2020, the cycling trips in Auckland added up to 563 million km, avoiding about 151 ktCO₂e (kiloton of CO₂ equivalent) of GHG emissions had this distance been taken using private vehicles.

³ Our cycleway counters are on many points along the cycleway network and are likely to count a single cyclist multiple times, exaggerating GHG emission reductions.



Figure 1: An indicative contribution of avoided GHG emissions due to public cycleways in Auckland.

Green dotted line indicates Avoided GHG emissions trend, orange dotted line indicates Distance covered by cyclists trend.

Te hātepe Methodology

Data for kilometres travelled on Auckland’s cycleways is not available, so we have used data from the Ministry of Transport (MoT) household travel survey to assume the kilometres travelled each year, with estimates made for years where data is unavailable.

The greenhouse gas emissions avoided due to the region’s cycleways have been calculated by assuming bicycles were used instead of light vehicles. Light vehicles are the most common form of travel in Auckland, so the most likely alternative to bicycles – see the [MoT survey](#).

Therefore, if 92.6 million km⁴ were travelled by bicycle in the year 2018/2019, the emissions avoided would be 24.8 ktCO₂e (assuming the alternative is a petrol-driven light vehicle which emits 0.268 kgCO₂e per km⁵).

This methodology uses estimations until we can collect data more accurately. Due to the level of uncertainty, Toitū Envirocare has carried out a review of our impact assessment (see [appendix 2](#)).

⁴ https://www.transport.govt.nz/assets/Uploads/Research/Documents/9c213acacd/Main-urban-areas_travel-by-residents-2015_2018.xlsx

⁵ <https://www.mfe.govt.nz/sites/default/files/media/Climate%20Change/2019-emission-factors-summary.pdf>



Ngā tereina hiko

Electric trains

In 2011 Auckland Transport (AT) embarked on a project to switch its train fleet from diesel to electric. The project was a key element in the region's Integrated Transport Programme to boost capacity and use of the rail network. The rollout of electrified rail lines from Papakura in the south to Swanson in the west included buying 57 new electric trains for services along these lines. The first of the electric stock was operating by October 2014 and all 57 by 2015.

A retrofitting project for a driver assistance (DA) system on the existing electric train fleet has also been added to the council's eligible asset framework. (A DA system is an automatic train operation system providing support to electric train operators). Once completed, this upgrade is expected to reduce travel time and energy consumption and improve reliability and network capacity. It will lead to increased fleet use and speed recovery after incidents.

In addition, AT bought another 15 electric trains in November 2017 to increase frequency and passenger capacity. Two of these trains have been operational since June 2020. All 15 are due to arrive in 2020, but delivery times may be affected by COVID-19.

Green Bond eligible asset schedule for electric trains

No.	Eligible asset	Eligible asset details	Eligible sector (see Auckland Council's sustainable finance framework)	Climate Bond Initiative (CBI) criteria/GBP alignment
1	Electric Multiple Unit	Original rolling stock of 57 electric trains	Low Carbon Transport	GBP: Clean Transportation CBI: Low Carbon Land Transport Criterion 3 – Electrified Public Transport
2	Electric Multiple Unit	Retrofitting of existing Electric Multiple Units	Low Carbon Transport	GBP: Clean Transportation CBI: Low Carbon Land Transport Criterion 3 – Electrified Public Transport
3	Electric Multiple Unit	New rolling stock of electric trains (two of the 15 trains pre-ordered arrived in June)	Low Carbon Transport	GBP: Clean Transportation CBI: Low Carbon Land Transport Criterion 3 – Electrified Public Transport





Ngā hua whānui

Broad benefits

Since 2012/2013, patronage across Auckland's commuter rail network has increased from 10 million a year to 21.4 million in 2018/2019.⁶ In 2017/2018, train services accounted for 22 per cent of public transport trips and 5 per cent of public transport-related GHG emissions.

The shift of Auckland's commuter rail fleet to mostly electric has resulted in significant GHG emission reductions. Similarly, upgrading the electric train units with a driver assistance (DA) system will help further improve the train services.

In addition, this shift will deliver the following benefits:

- A faster, more frequent service, including the ability to carry more people per train and to double the length of trains from three to six-car trains
- Reduced air quality impacts due to the absence of exhaust fumes from the trains' operation
- Reduced noise impacts, both inside and outside the train, which benefits passengers as well as Aucklanders living and working near the rail network
- Greater levels of customer comfort, information and safety, with international best-practice passenger information systems that ensure audio and visual information is easy to understand

- Improved access, including wider doors, automatic ramps for the mobility-impaired and lower floors for push-chairs or people with luggage
- Sliding plug-type doors providing a weather and soundproof seal, while open gangways between cars allow movement from one end of the train to the other
- Reduced travel time and increased reliability, reduced energy consumption, and increased network capacity without track upgrade
- Improved fleet use and improved recovery after incidents due to integration of DA system
- A range of safety improvements, such as cameras that allow the driver to see all of the train, on-board CCTV that operates continuously in all cars, and emergency call points throughout the train that allow passengers to communicate directly with the crew in an incident. All doors also have obstacle detection so they will still open and close if something obstructs the door.

⁶ This includes journeys on a number of diesel trains that still operate between Papakura and Pukekohe, where electrification of the track has not yet been completed.

Te whakaiti i ngā whakaputanga hau kino whare-karaehe Reduction of greenhouse gas emissions

This year AT assessed the GHG reductions that have resulted from the shift to mostly electric trains. Figure 2 shows the reduction in GHG emissions from the train network since electric trains started operating in 2014; note that some services continue to be serviced by diesel trains as not all tracks are electrified (full electrification is planned for 2024).

The net reduction of emissions was estimated by comparing a baseline scenario (continued full service by a diesel-only fleet) with actual emissions. The net emissions reduction was estimated to be 27,000 tCO₂e in 2018/2019 and 26,000 tCO₂e in 2019/2020. Adding 15 electric trains to the fleet in 2020 will further contribute towards a reduction in GHG emissions.

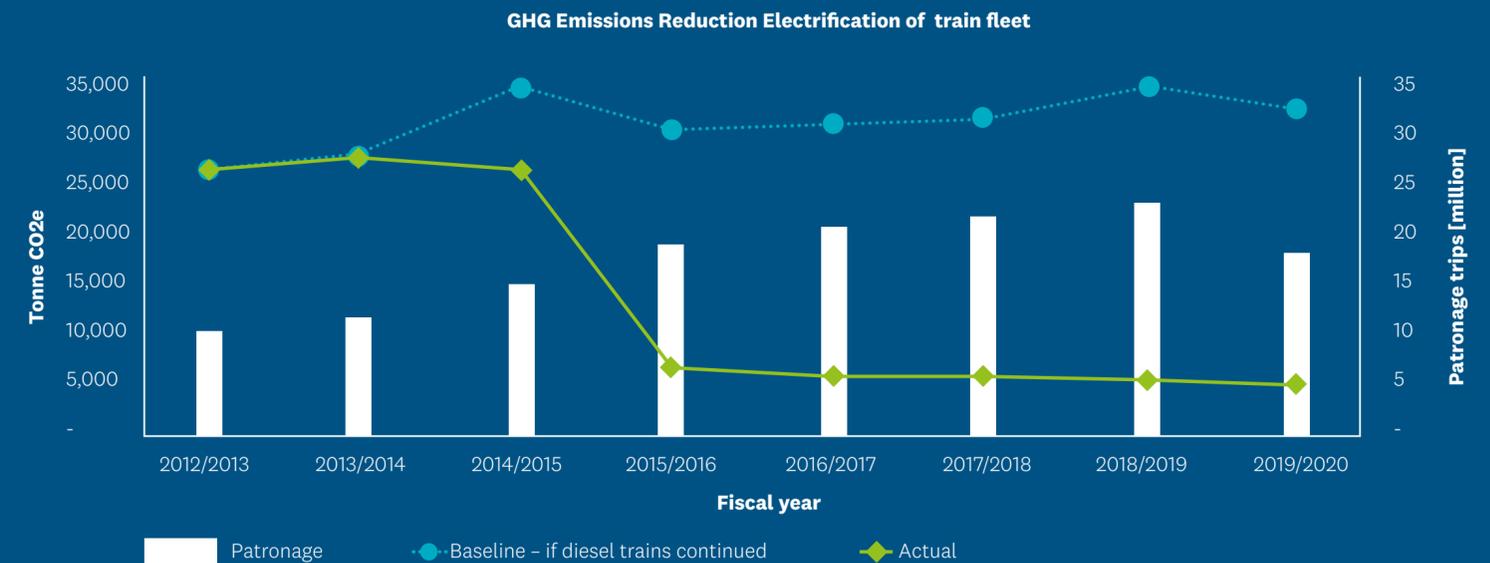


Figure 2: An indicative contribution of GHG emission reduction due to transition to electric trains.



Te hātepe Methodology

In financial year 2012/2013, AT's diesel-only fleet consumed an average of 2.96 litres of diesel per kilometre travelled, with each litre of diesel emitting 2.72 kgCO₂e.

Electric trains were introduced to the fleet in 2014, gradually replacing existing diesel trains. As such, to estimate the actual GHG emissions associated with AT's train fleet, both diesel and electricity-based GHG emission factors have been applied, based on the diesel and electricity consumed by respective trains. The GHG emissions saving for each year can be calculated as: GHG emissions saving = Baseline GHG emissions – Actual GHG emissions.

Toitū Envirocare has carried out a review of our impact assessment and the methodology used to calculate the GHG emission savings associated with our electric train fleet (see [appendix 2](#)).



Āpitihangā 1

Appendix 1



Independent Limited Assurance Report to the Management of Auckland Council

Assurance conclusion

Based on our limited assurance procedures, as described in this statement as of 1 September 2020, nothing has come to our attention which causes us to believe that Auckland Council's Green Bond Programme does not continue to meet the requirements of the Climate Bonds Standard v2.1 and Green Bond Principles, and relevant Criteria in all material respects.

Scope

We have performed a limited assurance engagement in relation to Auckland Council's Green Bond Programme, in order to provide a conclusion as to whether anything has come to our attention that causes us to believe that the subject matter detailed below does not meet the criteria as presented below as at 30 June 2020.

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>Auckland Council's Green Bonds issuance process, as described in Auckland Council's Green Bonds Documentation, including its updated 2020 Sustainable Finance Framework and Use of Proceeds Statement that sets out:</p> <ul style="list-style-type: none"> ▶ Use of Proceeds ▶ Project selection criteria and management of proceeds details of the Green Bonds ▶ Internal systems and processes used to manage the proceeds and report on the Green Bonds. <p>Auckland Council's Green Bonds documentation including the Sustainable Finance Framework.¹</p>	<p>The Climate Bonds Standard Version 2.1, including the Low Carbon Land Transport Eligibility Criteria²</p> <p>The Green Bond Principle's requirements on:</p> <ul style="list-style-type: none"> ▶ Use of Proceeds ▶ Process for Project Evaluation and Selection ▶ Management of Proceeds ▶ Reporting³
<p>Technical details of the assets identified as 'green' ('eligible assets') and their values as at 30 June 2020 in the Green Bonds Eligible Assets Schedule</p>	<p>Auckland Council's Sustainable Finance Framework</p>

¹ Auckland Council Sustainable Finance (Green Bond) Framework <https://www.aucklandcouncil.govt.nz/about-auckland-council/business-in-auckland/Pages/investor-centre.aspx>

² Climate Bonds Standard: https://www.climatebonds.net/files/files/Climate%20Bonds%20Standard%20v2_1%20-%20January_2017%281%29.pdf

Climate Bond Standard - Low Transport Criteria:

<https://www.climatebonds.net/files/files/Low%20Carbon%20Transport%20Background%20Paper%20Redraft%20Final%20Feb%202017%20%282%29.pdf>

³ Green Bond Principles: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Green-Bonds-Principles-June-2018-270520.pdf>



Management Responsibility

The management of Auckland Council 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 Green Bond programme.

Assurance Practitioner's Responsibility

Our responsibility was to express a limited assurance conclusion as to whether the subject matter was not presented in accordance with the criteria, in all material respects. 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).

Level of Assurance

A limited assurance engagement consists of making enquiries and applying analytical, appropriate testing, and other evidence-gathering procedures sufficient for us to obtain a meaningful level of assurance as the basis for providing a negative form of conclusion and, as such, do not provide all the evidence that would be required to provide a reasonable level of assurance. 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 any changes to policies and procedures established by Auckland Council related to the issuance of the Bonds, issued under Version 2.1 of the Climate Bonds Standard, to assess whether they were aligned to the requirements of the Climate Bonds Standard Version 2.1 and the Green Bond Principles (June 2018).

- ▶ Confirming the eligibility of assets included in Auckland Council's Green Bonds against Auckland Council's Sustainable Finance Framework
- ▶ Checking reported use of proceeds back to evidence on asset values and refinancing arrangements
- ▶ Interviewing selected business units and group level personnel to understand key issues related to Auckland Council's relevant policies and procedures
- ▶ Reviewing selected performance information for green bond projects, and documentation supporting assertions made in the Subject Matter
- ▶ Checking the accuracy of asset valuations
- ▶ Obtaining and reviewing evidence to support key assumptions and other data
- ▶ 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 nonfinancial 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, the Climate Bonds Standard v2.1, and the Green Bond Principles (June 2018) is subjective and will be interpreted differently by different stakeholder groups.

Our assurance was limited to the Auckland Council's Green Bonds Programme and did not include statutory financial statements. Our assurance is limited to policies and procedures in place as of 30 June 2020. The firm performs other Advisory engagements for Auckland Council. Other than these Advisory engagements the firm has no other relationships with, or interests in, Auckland Council.

Use of Report

Our responsibility in performing our assurance activities is to the Management of Auckland Council only and in accordance with the terms of reference for this 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 Auckland Council's Green Bond 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 *Code of Ethics for Assurance Practitioners*, the firm and all professional personnel involved in this engagement have met the independence requirements of New Zealand or International professional ethical requirements. Our team has the required competencies and experience for this assurance engagement.

Observations on particular aspects of our engagement:

We provide selected observations aligning to the Climate Bonds Standard and Green Bond Principles core components, to provide the reader with further understanding on how the Green Bonds meets the criteria. These observations are not intended to detract from our conclusion provided above.

Use of Proceeds:

- ▶ Proceeds from this Green Bonds will be used for financing and refinancing purposes.
- ▶ Proceeds support the value of electrified public trains and equipment and public cycleway infrastructure, owned or expected to be owned by Auckland Council, that meet the Climate Bonds Standard ('CBS') Low Carbon Land Transport Criteria, and the Green Bond Principles
- ▶ The value of the refinanced eligible assets is based on the net book value. If during the tenor of the Green Bonds, the value of eligible assets falls below the Green Bonds' face value, Auckland Council may obtain market valuation of assets if net book values are significantly different from the fair value
- ▶ The value of new eligible assets is based on contracts for the purchase of new trains and actual payments made by the Council to contracted parties for cycleway development, as confirmed through accounting systems and foreign currency hedging arrangements where applicable.
- ▶ The CBS Low Carbon Transport Criteria was developed by the Climate Bonds Initiative, an international, investor-focused not-for-profit organisation aiming to develop tools to mobilise the bond market for climate change solutions. The primary objective is to ensure that any land transport projects or assets certified under the CBS would contribute to meeting an emissions trajectory consistent with limiting global temperature rises to 2° Celsius

- ▶ The use of proceeds of the bonds aligns with the Green Bond Principles' project category "clean transportation (such as electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions)".

Process for Project Evaluation and Selection

- ▶ Auckland Council has developed a Sustainable Finance Framework that outlines the environmental objective of the bonds, eligibility criteria for determining green projects and the process for project selection and evaluation.

Management of Proceeds

- ▶ Auckland Council has implemented processes to manage initial funds received from the Green Bonds and to monitor the on-going use of proceeds. These processes include:
 - ▶ An ear-marking process through existing systems to designate the proceeds received
 - ▶ A process for deploying any unallocated proceeds to temporary cash equivalent investments
 - ▶ A monthly process for monitoring the on-going use of proceeds and value of eligible assets
 - ▶ Annual Use of Proceeds reporting and reporting on the environmental performance of the bonds.
- ▶ Auckland Council has committed to obtaining assurance in line with its Sustainable Finance Framework.

Reporting

Auckland Council has publicly reported on the Use of Proceeds of Green Bonds and will continue to do so annually, which will include as a minimum: a list of eligible assets, the value of the eligible assets, and the environmental performance of eligible assets.

Ernst & Young Limited

Graeme Bennett
EY Assurance Partner
1 September 2020



Āpitianga 2

Appendix 2



REVIEW OF IMPACT ASSESSMENT EMISSIONS

For organisation:

AUCKLAND COUNCIL

Date: 3rd September 2020

Auckland Council has drafted content within an Impact Assessment section of their Green Bond Annual Report FY19/20, which provides details on the contribution the regions electric trains, public cycleways and associated infrastructure contribute towards a reduction in greenhouse gas emissions and broader benefits.

Toitū Envirocare reviewed* the word document for accuracy of data transfer from the xlsx calculations, and for general readability. The review checked the work flow and workbook design in the xlsx files, with a focus on the following components: Activity data, Assumptions, Formula calculations, Emissions factors.

Results of the review were articulated back to Auckland council in the form of a short review report and a call to verbally explain the feedback. All feedback was actioned upon, and the submitted files were updated.

Toitū considers the methodology appropriate and the workings sufficient for the purpose of the impact communications being made

*Files reviewed:

- GHG avoidance assessment_Cycleways_Green Bond_update_MP_27_07_2020
- Green Bond Annual Report Preparation v11.docx
- Green bond_Rail emission update_MP_27_07_2020.xlsx

Disclaimer: the service provided was a review and limited to the files and procedures listed and outlined above. This document should not be considered as a verification assurance statement and no assurance was provided as part of this review.

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