



Independent Limited Assurance Statement to the Management and Directors of Auckland Council

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Assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Auckland Council's Sustainable Finance Framework September 2023, has not been prepared, in all material respects, in accordance with the Criteria defined below.

Scope

We have been engaged by Auckland Council to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements (New Zealand) 3000 (Revised), here after referred to as the engagement, to report on Auckland Council's Sustainable Finance Framework ('Framework' or 'Subject Matter') contained in Auckland Council's Sustainable Finance Framework September 2023 (the 'Report').

Criteria

In preparing the Sustainable Finance Framework, Auckland Council applied the Loan Market Association's Green Bond Principles (June 2021), Green Loan Principles (February 2023), Sustainability-Linked Loan Principles (February 2023) and the Sustainability-Linked Bond Principles (June 2023) (together referred to as the 'Criteria').

Auckland Council's responsibilities

Auckland Council's management is responsible for selecting the Criteria, and for 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 conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ISAE (NZ) 3000 (Revised)'), and the terms of reference for this engagement as agreed with Auckland Council on 20 May 2022. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report.

The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality management

We are independent of Auckland Council in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Ernst & Young applies Professional and Ethical Standard 3 which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Description of procedures performed

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. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although 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.



A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the allocation of proceeds to nominated projects and assets as at 30 June 2023 and related information and applying analytical and other appropriate procedures.

Our procedures included:

- ▶ Assessing Auckland Council's Sustainable Finance Framework (September 2023) against the Green Bond Principles (June 2021), the Green Loan Principles (February 2023), the Sustainability- Linked Loan Principles (February 2023) and the Sustainability- Linked Bond Principles (June 2023).

We also performed such other procedures as we considered necessary in the circumstances. A summary of our key observations is documented within Annex A.

Restricted use This report is intended solely for the information and use of management and directors of Auckland Council and is not intended to be and should not be used by anyone other than those specified parties.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

Ernst & Young Limited
8 September 2023
EY Auckland



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Annex A

We provide selected observations aligning to the Green Bond Principles (June 2021), the Green Loan Principles (February 2023), the Sustainability- Linked Loan Principles (February 2023) and the Sustainability- Linked Bond Principles (June 2023) core components, to provide the reader with further understanding on how Auckland Council's Sustainable Finance Framework (September 2023) meets the Criteria. These observations are not intended to detract from our conclusion provided above.

Green Bond Principles (June 2021) and Green Loan Principles (February 2023)

GLP / GBP section	Significant process	Findings
1	Use of Proceeds	<ul style="list-style-type: none"> ▶ The Subject Matter states that proceeds raised from sustainable financing will be used for financing and refinancing of eligible green projects and assets that have positive social, governance or environmental outcomes and contribute to a low carbon and climate resilient future. ▶ We did not review specific legal documentation for sustainable lending facilities or bonds to consider whether use of proceeds were appropriately described. ▶ The relevant green and social eligible project categories described in the Subject Matter consist of: <ul style="list-style-type: none"> ▶ Renewable Energy ▶ Energy Efficiency ▶ Climate Change Adaptation ▶ Sustainable Water and Wastewater Management ▶ Green Buildings ▶ Pollution Prevention and Control ▶ Environmentally Sustainable Management of Living Natural Resources and land-use ▶ Clean Transportation
2	Process for Evaluation and Selection of Projects & Assets	<ul style="list-style-type: none"> ▶ The Subject Matter provides a description of the alignment between Auckland Council's Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan and the finance raised through their sustainable finance mechanisms (e.g., bonds) that the Subject Matter facilitates. ▶ The Subject Matter explains how responsibility and accountability for evaluation and selection of Projects falls to the Treasury Management Steering Group ('TMSG') including ensuring the continued compliance of the Framework and associated green bonds and loans to the relevant standards. ▶ Alongside ensuring alignment of assets to the eligible project categories above, the TMSG is responsible for considering, for the eligible projects and assets: <ul style="list-style-type: none"> ▶ The current source of finance (budgeted and/or allocated) to determine ease and cost implications of possible re-financing ▶ The alignment with the Auckland Plan 2050 and Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan objectives ▶ The environmental and/or social risks associated with the assets ▶ Where the council chooses, conformance with any other principles, standards or tools (such as the Climate Bonds Standard (CBS) and the EU Taxonomy) that are or become commonplace and highly regarded in the market.
3	Management of Proceeds	<ul style="list-style-type: none"> ▶ The Subject Matter details how Auckland Council will track the receipt and use of proceeds using internal reporting systems. This includes ensuring that proceeds derived from each tranche of CBI-certified, and each green bond and loan are allocated, tracked and reported separately to proceeds generated from other loans and bonds. ▶ The Subject Matter communicates to investors how proceeds from green bonds can be temporarily invested to the extent these have not yet been used in green assets (i.e., unallocated proceeds).
4	Reporting	<ul style="list-style-type: none"> ▶ The Annual Green Bond report includes the following as required by Auckland Council's Framework and the Principles: <ul style="list-style-type: none"> ▶ A brief description of the eligible assets and a current list of eligible assets, along with their values ▶ A summary of the environmental outcomes that have been delivered by the eligible assets ▶ Qualitative and, where feasible, quantitative performance measures as part of reporting on the impact of the eligible asset ▶ Key underlying methodology and/or assumptions used in the quantitative determination for any performance indicators or measures.



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GLP / GBP section	Significant process	Findings
		<ul style="list-style-type: none"> ▶ The Subject Matter states that this reporting will be carried out on an annual basis and includes specific timings for disclosure items and the location that this reporting can be found online.
5	Review	<ul style="list-style-type: none"> ▶ The Subject Matter states that post-issuance allocation reporting assurance against the Green Bond and Green Loan Principles will occur at least once during the tenor of each green bond and loan. ▶ The Subject Matter also states that Auckland Council may seek other forms of independent review, such as second party opinions and evaluations from organisations such as rating and carbon reporting agencies and, or any other form of independent review that become accepted by the market.



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Sustainability- Linked Loan Principles (February 2023) and Sustainability-Linked Bond Principles (June 2023)

SLLP / SLBP section	Significant process	Findings
1	Selection of Key Performance Indicators	<ul style="list-style-type: none"> ▶ The Subject Matter states that the following will be considered in determining KPIs for SLLs: <ul style="list-style-type: none"> ▶ Materiality (to Auckland Council's operations) ▶ Measurability ▶ Ability to be verified by an external reviewer ▶ Availability of historic data ▶ The Subject Matter provides examples of KPIs that are designed to drive cohesiveness between Auckland Council's Green Bonds/Loans and Sustainability Linked Bonds/Loans. Some of these KPIs include but are not limited to: <ul style="list-style-type: none"> ▶ Greenhouse gas emissions reduction ▶ Energy efficiency ▶ Waste management and minimisation ▶ Biodiversity ▶ The Subject Matter requires any Sustainability-Linked Loan or Bond to include a clear definition of the KPI along with the scope, calculation methodology, baseline definition and relevant industry benchmark (where feasible). ▶ The Subject Matter requires any KPI selected to align to Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan and relevant strategy.
2	Calibration of Sustainability Performance Targets	<ul style="list-style-type: none"> ▶ The Subject Matter describes aims for calibrating Sustainability Performance Targets (SPTs) which includes the requirement for the targets to be ambitious as determined by historical or peer benchmarking or reference to external frameworks, be in line with the Council's sustainability strategy and leadership and be based on a predefined timeline. ▶ The Subject Matter states that disclosures for Sustainability-Linked Loans or Bonds must include: timelines for measuring and reporting, baselines for KPIs upon which the SPTs are based, how the SPT aligns with goals/objectives under Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan and how the Council aims to achieve the SPTs,
3	Loan/Bond Characteristics	<ul style="list-style-type: none"> ▶ The Subject Matter explains that each Sustainability Linked Bond/Loan will include financial and/or structural characteristics that will encourage the achievement of the SPTs. These characteristics include: <ul style="list-style-type: none"> ▶ The amount of any coupon or margin adjustment ▶ The SPT testing dates and effective date(s) for any adjustment ▶ Any fall-back mechanisms in case the SPTs cannot be calculated.
4	Reporting	<ul style="list-style-type: none"> ▶ The Subject Matter outlines that the Council will provide annual reporting to lenders/investors on sustainability performance against SPTs. ▶ The Subject Matter states that for Sustainability-Linked Bonds the annual report will be available on the Council's website along with the verification report.
5	Verification	<ul style="list-style-type: none"> ▶ The Subject Matter states Auckland Council's intention to conduct external reviews for each Sustainability Linked Bond/Loan at least annually. ▶ The Subject Matter explains that these reviews will be carried out by an external reviewer with expertise prior to issuance and on an ongoing basis which will be at least annually. This external review may, among other options, be assurance.