

Independent Reasonable Assurance Report to the Directors and Management of ANZ

Assurance conclusion

Based on our reasonable assurance procedures, as described in this statement as of 6 June 2016, in our opinion ANZ's bond issuance process in relation to its 2015 Green Bond meets the project identification, project minimum criteria, management of proceeds, and reporting requirements of the Climate Bond Standard, in all material respects.

Scope

We have performed a reasonable assurance engagement in relation to ANZ's 2015 Green Bond, twelve months post-issuance, in order to provide an opinion as to whether the subject matter detailed below meets, in all material respects, the criteria as presented below as at 6 June 2016.

Subject matter

The subject matter for our assurance is ANZ's Green Bond Issuance process, being:

- Identification of wind energy generation, solar energy generation and commercial building projects;
- Minimum criteria for eligible wind energy generation, solar energy generation, and lower emissions commercial building projects
- Management of proceeds
- Reporting on use of proceeds and project performance
- Internal systems and process

Criteria

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

- The Climate Bond Standard v2.0, including eligibility criteria for wind energy generation and solar energy generation
- The Climate Bond Standard Energy Efficiency – Commercial Property eligibility criteria and guidelines

Management Responsibility

The management of ANZ ('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 Green 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 3000 (revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE 3000') and *ASAE 3100: Compliance Engagements* ("ASAE 3100").

Level of Assurance

A reasonable assurance engagement consists of making enquiries and applying analytical, controls testing, and other evidence-gathering procedures sufficient for us to obtain a meaningful level of assurance as the basis for providing 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:

- Reviewing any changes to policies and procedures established by ANZ related to the issuance of its 2015 Green Bond;
- Confirming eligibility of any new nominated projects for inclusion in ANZ's 2015 Green Bond
- Interviewing selected business unit and group level personnel to understand key issues related to ANZ's policies and procedures;
- Reviewing selected new performance information for all nominated projects, and documentation supporting assertions made in the subject matter;
- Checking the accuracy of calculations performed;
- Confirming internal systems and process were functioning as indicated and obtaining supporting evidence; and
- Obtaining and reviewing evidence to support key assumptions and other data.

A summary of our assurance procedures is shown in the table below.

Item	Climate Bond Standard Requirements	Assurance Procedures
1	Project Nomination	<ul style="list-style-type: none"> ▶ Gained new contract details for any new nominated projects since pre-issuance assurance ▶ Received management representation that these were the only changes to nominated projects
2	Use of Proceeds	▶ <i>Outside of the scope of this assurance: refer to Annex A</i>
3	Non-Contamination	<ul style="list-style-type: none"> ▶ Reviewed implementation of surplus funds policy ▶ Reviewed dates of trades for receiving and allocating funds to Nominated Projects ▶ Reviewed the Green Bond Asset Register to ensure that the Nominated Projects had a fair market value equal to or greater than the principal amount of the Climate Bond
4	Environmental and Social Integrity	<ul style="list-style-type: none"> ▶ Received management representation that there were no known breaches of ESG laws relating to nominated projects included in the bond since pre-issuance assurance ▶ Conducted a desktop review to seek to ensure no reported ESG breaches had occurred
5-7	Other processes	▶ <i>Outside of the scope of this assurance: refer to Annex A</i>
8	Eligible projects & physical assets	▶ Reviewed Nominated Projects against CBI eligibility criteria.
9	Technical criteria	<ul style="list-style-type: none"> ▶ Confirmed within the identified commercial building that emissions intensities had not changed since six month post-issuance assurance and that any new data had been incorporated into benchmark calculations ▶ Checked the status of commercial buildings that were under construction at the six month post-issuance date, if now operational, and if measured emissions intensity data existed ▶ Confirmed emissions intensity of wind and solar projects had not changed since six month post-issuance assurance against most recent National emissions reporting data
10	Traceability	▶ <i>Outside the scope of this assurance: refer to Annex A</i>
11	Project holding	▶ Reviewed the Green Bond Asset Register to ensure that the Nominated Projects had a fair market value equal to or greater than the principal amount of the Climate Bond
12	Confidentiality	▶ Confirmed if there had been any changes to confidentiality requirements related to nominated projects
13	Settlement period	▶ <i>Outside the scope of this assurance: refer to Annex A</i>
14	Ring-fenced cost-centres	▶ <i>Outside the scope of this assurance: refer to Annex A</i>

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 ASAE 3000, ASAE 3100 and the Climate Bond Standard is subjective and will be interpreted differently by different stakeholder groups.

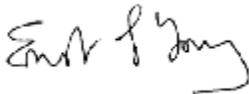
Our assurance was limited to the ANZ's 2015 Green Bond, twelve months post-issuance, and did not include statutory financial statements.

Use of Report

Our responsibility in performing our assurance activities is to the directors of ANZ and the Climate Bonds Initiative only, and in accordance with the terms of reference for this engagement as agreed with ANZ. 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 2015 Green 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
Sydney, Australia

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Ernst & Young Services Pty Limited
 680 George Street
 Sydney NSW 2000 Australia
 GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
 Fax: +61 2 9248 5959
 ey.com/au

Annex A

Climate Bond Standard V2.0 criteria

ANZ's 2015 Green Bond (12 month post-issuance) was assured against the following requirements as specified in the Climate Bond Standard v2.0.

CBS sections	Requirement	Assurance Procedures	Demonstration of compliance (summary)
1	Project Nomination	<ul style="list-style-type: none"> ▶ Gained new contract details for any new nominated projects since pre-issuance assurance ▶ Received management representation that these were the only changes to nominated projects 	Confirmed that: <ul style="list-style-type: none"> ▶ Brookfield Tower 1 has been removed from the green bond ▶ Bald Hills Windfarm was refinanced ▶ No issues were noted with new projects included in the Bond (Coonoer Bridge Windfarm and Southern Cross Building)
2	Use of Proceeds	<ul style="list-style-type: none"> ▶ Relates to issues outside of the scope of this assurance 	
3	Non-Contamination	<ul style="list-style-type: none"> ▶ Review dates of trades for receiving and allocating funds against dates Nominated Projects were assigned against the Climate bond from internal systems and processes 	<ul style="list-style-type: none"> ▶ A review of ANZ's Green Bond Asset Register showed the redirection of funds policy was not required to be used during the audit period, as the nominated projects were greater than the face value of the bond at all times
4	Environmental and Social Integrity	<ul style="list-style-type: none"> ▶ Receive management representation that there are no know breaches of ESG laws relating to nominated projects included in the bond ▶ Conduct a desktop review to ensure no reported ESG breaches have occurred 	<ul style="list-style-type: none"> ▶ A review of ESG breaches by nominated projects showed there were no issues except for the Boco Rock Windfarm which had been issued with two fines and a warning letter after conditions of Approval were breached due to the disturbance of Aboriginal heritage sites. The Department of Planning and the Office of Environment and Heritage will work with Boco Rock Windfarm to make sure that the artefacts recovered from the disturbed sites are salvaged and the windfarm has appointed an independent archaeologist to carry out the salvage work ▶ Although there was a breach in ESG, ESG is not formally part of the green bonds in V2 of the standard
5-7	Other Process: <ul style="list-style-type: none"> ▶ Verification ▶ Climate Bond Certification and Limits of Use ▶ Non-Compliance 	<ul style="list-style-type: none"> ▶ EY reviewed verification, climate bond certification and limits of use, and non-compliance as part of its pre-issuance assurance processes. ▶ These aspects of the Criteria does not require retesting in subsequent post-issuance assurance procedures 	
8	Eligible projects & physical assets	<ul style="list-style-type: none"> ▶ Reviewed Nominated Projects against CBI eligibility criteria. 	<ul style="list-style-type: none"> ▶ Three new projects were assessed for inclusion in the bond, Coonoer Bridge windfarm, Southern Cross (Green building), and 1 Shelly Street. Each of the assets were assessed as meeting the eligibility criteria ▶ It was noted that while 1 Shelly Street as an asset met the criteria for inclusion, the loan for the building's purchase was made to a Property Trust and, as such, was not included in the Bond at this time
9	Technical criteria	<ul style="list-style-type: none"> ▶ Confirm with commercial building owners if more recent NABERS certifications exist and incorporate any new data into benchmark calculations ▶ Check the status of commercial buildings that were under construction at the pre-issuance date, if now completed 	<ul style="list-style-type: none"> ▶ A review of NABERS certifications showed that ANZ's portfolio continued to be below the CBI baseline with the inclusion of the new Green Building (Southern Cross Tower) and 1 Shelly Street ▶ Brookfield Tower 2 has not reached physical completion with tenants completing fit-outs prior to relocating to the building. No NABERS certificate was available for this building

CBS sections	Requirement	Assurance Procedures	Demonstration of compliance (summary)
		<ul style="list-style-type: none"> check if emissions intensity data exists ▶ Confirm emissions intensity of wind and solar projects has not changes through management representation and against most recent NGER data 	and the engineering model was still the best available estimate
10	Traceability	<ul style="list-style-type: none"> ▶ EY reviewed the Green Bond Asset Register to seek to ensure that the Nominated Projects had a fair market value equal to, or greater than, the principal amount of the Climate Bond as part of its six-month post-issuance assurance processes. ▶ This aspect of the Criteria does not require retesting in subsequent post-issuance assurance procedures 	
11	Project holding	<ul style="list-style-type: none"> ▶ Reviewed the Green Bond Asset Register to ensure that the Nominated Projects had a fair market value equal to or greater than the principal amount of the Climate Bond 	<ul style="list-style-type: none"> ▶ EY confirmed nominated projects had a total fair value above the face value of the Climate Bond at all times since our pre-issuance assurance
12	Confidentiality	<ul style="list-style-type: none"> ▶ Confirmed if there had been any changes to confidentiality requirements related to nominated projects 	<ul style="list-style-type: none"> ▶ EY received management representation that there have been no changes to confidentiality requirements since our pre-issuance assurance
13	Settlement period	<ul style="list-style-type: none"> ▶ EY reviewed the Green Bond Asset Register to seek to ensure transfer has occurred inside CBS time limit internal systems as part of its six-month post-issuance assurance processes. ▶ This aspect of the Criteria does not require retesting in subsequent post-issuance assurance procedures 	
14	Ring-fenced cost-centres	<ul style="list-style-type: none"> ▶ EY reviewed internal systems and processes to seek to ensure all funds were ear-marked as part of its six-month post-issuance assurance processes. ▶ This aspect of the Criteria does not require retesting in subsequent post-issuance assurance procedures 	

Annex B

ANZ's list of Green Bond nominated projects

Nominated Project	Class	Country
Bald Hills Wind Farm	Wind	Australia
Boco Rock Wind Farm	Wind	Australia
Collgar Wind Farm Pty Ltd	Wind	Australia
Hallett 5 Pty Limited	Wind	Australia
Macarthur Wind Farm	Wind	Australia
Miaoli Wind Farm	Wind	Taiwan
Mumbida Wind Farm	Wind	Australia
Regional Wind Farms (Wonthaggi Windfarm)	Wind	Australia
Taralga Wind Farm Pty Ltd	Wind	Australia
Trustpower – Mahinerangi Wind Farm	Wind	New Zealand
Trustpower – Tuararua Wind Farm	Wind	New Zealand
Changbin Wind Farm	Wind	Taiwan
Chungwei Wind Farm	Wind	Taiwan
EDC Burgos – Wind Farm	Wind	Singapore
Coonooer Bridge Wind Farm	Wind	Australia
Royalla	Solar	Australia
Brookfield Tower Place 2, Perth	Building	Australia
Legion House/ANZ Tower, Sydney – 161 Castlereagh Street, Sydney	Building	Australia
Tower 4D, Collins Square, Melbourne	Building	Australia
Southern Cross	Building	Australia



Ernst & Young Services Pty Limited
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Annex C

ANZ's exposure to nominated projects

Class	Drawn Funding (AUDm)
Wind	624
Solar	20
Commercial buildings	358
Total	1,002