

Independent Limited Assurance Statement to the Management and Directors of Christchurch City Holdings Limited

Our Conclusion

Ernst & Young ('EY', 'we') was engaged by Christchurch City Holdings ("CCHL") to undertake limited assurance as defined by the International Standards on Assurance Engagements (New Zealand), over the CCHL Sustainable Finance Framework (October 2021). Based on our procedures, nothing came to our attention that caused us to believe that the subject matter in the table below has not been prepared and presented fairly, in all material respects, in accordance with the criteria defined below.

What our review covered

The subject matter and criteria covered by our assurance procedures are detailed in the table below.

Subject matter	Criteria
<p>Policies and procedures relating to the allocation and management of green, social and/or sustainability finance including the CCHL Sustainable Finance Framework (October 2021) that sets out:</p> <ul style="list-style-type: none"> ▶ Use of proceeds ▶ Activity selection and management of proceeds ▶ Processes used to manage and report on green, social and/or sustainability finance activity. 	<p>Social Bond Principles 2021. https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/</p> <p>Green Bond Principles 2021. https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/</p> <p>Sustainability Bond Guidelines 2021. https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/</p>
CCHL activities identified as eligible for a green, social and/or sustainability finance	CCHL's Sustainable Finance Framework (October 2021)
Eligible Asset Schedule	CCHL's Sustainable Finance Framework (October 2021)

Key responsibilities

EY's responsibility and independence

Our responsibility was to express a conclusion on CCHL's Sustainable Finance Framework.

We have complied with the relevant ethical requirements relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with the Professional and Ethical Standard 3 (Amended), Ernst & Young Limited maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

CCHL's responsibility

CCHL's management ("management") was responsible for selecting the Criteria and preparing and fairly presenting the Sustainable Finance Framework in accordance with that Criteria. This responsibility includes establishing and maintaining internal controls, adequate records and making estimates that are reasonable in the circumstances.

Our approach to conducting the engagement

We conducted this engagement in accordance with the International Standard on Assurance Engagements ISAE (NZ) 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and the terms of reference for this engagement as agreed with CCHL on 17 December 2020.

Summary of procedures performed

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the sustainability performance data and related information and applying analytical and other review procedures.

Our procedures included, but were not limited to:

- ▶ Conducting interviews with personnel to understand the business, its activities and societal/environmental outcomes
- ▶ Conducting interviews with personnel to understand the relevant policies and procedures
- ▶ Reviewing whether CCHL activities met the requirements of the eligibility criteria of the Social Bond Principles, Green Bond Principles and Sustainability Bond Guidelines (see Annex)
- ▶ Confirming the eligibility of activities for inclusion in a green, social and/or sustainability bond against CCHL's Sustainable Finance Framework (October 2021).
- ▶ Checking the accuracy of asset valuations listed in the eligible asset schedule of CCHL activities identified as eligible against the face value of the proposed bond.
- ▶ Requesting documentation supporting assertions made in the Subject Matter
- ▶ Seeking management representation on key assertions

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

Limited Assurance

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.

While 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.

Use of our Assurance Report

This report has been prepared for use by management for the purpose of presenting its Sustainable Finance Framework (October 2021) to potential lenders or investors. We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than management and the Directors of CCHL or for any purpose other than that for which it was prepared.

Ernst & Young Limited



Pip Best
Partner - Climate Change and Sustainability Services
Auckland
12 October 2021

Annex A

Assessment of nominated asset alignment against The Social Bond Principles eligibility categories.¹

Social Project Category	Assessment finding	Commentary	Supporting documentation
Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy)	Aligns	The Enable fibre network, similar to a municipal electricity or water network, connects homes, businesses, schools and other entities and provides the basic infrastructure for high speed internet access. The neutral, open access approach of the Enable network was favoured in order to provide a publicly owned infrastructure that provided low barriers to entry and promoted competition for the benefit of community end users.	2006 decision for CCHL to invest in an open access fibre network.
Access to essential services (e.g. health, education and vocational training, healthcare, financing and financial services)	Aligns	High speed internet is acknowledged as an enabler of essential services and that denying access to the internet can be a violation of peoples' right to freedom of expression. It also enables the provision and promotion of education, banking, healthcare and other services.	2011 UN Report of the Special Rapporteur on the promotion and protection of the right to freedom of opinion and expression
Socioeconomic advancement and empowerment	Aligns	The Enable network has entered into partnerships with community housing providers to install free internet access for people in social housing, with the objective of addressing digital equity and enabling socioeconomic advancement and empowerment.	Enable 2022 Statement of Intent
Employment generation	Aligns	The fibre network is sufficient for businesses to set up shop in the network area, enabling investment and employment opportunities to the communities of Christchurch	2012 Building the benefits of broadband whitepaper: Two studies in this paper show a measurable increase in employment from improved internet connectivity.
Affordable housing	Inconclusive	No direct connection between high speed fibre broadband and affordable housing was observed.	
Food security and sustainable food systems	Inconclusive	No direct connection between high speed fibre broadband and food security was observed.	

¹ Social Bond Principles 2021. <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

Annex B

Assessment of nominated asset alignment against Social Bond Principles target populations.²

Target population	Assessment finding	Commentary	Supporting documentation
Living below the poverty line	Aligns	The Enable fibre network has entered into partnerships with community housing providers to install free internet access for people in social housing	Enable 2022 Statement of Intent
Undereducated	Aligns	Enable's network prioritised schools in the rollout of the network. However, in providing connection to both homes and schools, it supports access to education for both those in formal education institutions and for those at home	<i>Equitable digital access to the internet beyond school: A literature review</i> : Access to the internet has been shown to improve educational outcomes, especially in children. This improvement, however, is also a determinate of the environment in which the internet is accessed from. Supportive learning environments such as schools are more likely to see positive educational outcomes if there is also a well-connected and functional household learning environment <i>CCNL Business Plan 2009-2012</i> : To support education, Enable's network rollout prioritised schools in the Christchurch area in the first part of the rollout
Underserved, owing to a lack of quality access to essential goods and services	Aligns	The Enable fibre network provides high speed internet access to the population of Christchurch and surrounding communities. Enable has entered into partnerships with community housing providers to enable access to essential services through the internet.	<i>Broadband Report to Council - Nov 2006</i> Part of the reason Enable was set up was based on improving high speed internet access for the Christchurch area due to a lack of service and investment by the dominant market players at the time. <i>CCNL CCC Seminar July 2017</i> : Value proposition to the community includes improving competition by lower barrier of entry for alternative internet service providers Enable Statement of Intent 2022
Unemployed	Aligns	The Enable network provides high speed connectivity for businesses located in the Christchurch area giving improved service for video conferences and cloud computing. This helps businesses operate globally from Christchurch promoting secure and potentially improved employment possibilities.	<i>CCNL Business Plan 2009-2012</i> : Metric of rollout being coverage of businesses employing six or more people. <i>CCNL Seminar July 2007</i> : Value proposition to the community includes establishing the foundation network which can allow the growth of IT&T business in the Christchurch area. 2012 Building the benefits of broadband whitepaper Two different studies have shown that there is a measurable impact on employment due to internet coverage/penetration. However, it is important to note that simply having an internet connection will not produce results as it requires businesses to take advantage of the connection
Excluded and/or marginalised populations and / or communities	Inconclusive	While it is possible that Enable's network could be servicing these target populations, it could be difficult to measure due to the distance between Enable and the end consumer.	For more information refer to the 'Do not overclaim' principle in Annex D.
People with disabilities			
Migrants and/or displaced persons			
Women and/or sexual and gender minorities			
Aging populations and vulnerable youth			
Other vulnerable groups			

² Social Bond Principles 2021. <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

Annex C

Assessment of nominated asset alignment against the Green Bond Principles eligibility categories³

Green Project Category	Assessment finding	Commentary	Supporting documentation
Energy efficiency	Aligns	<p>Energy efficiency of the network infrastructure: Enable's network being fibre-optic means it can operate (i.e. transfer data) with much higher energy efficiency (e.g. unit of energy consumed per volume of data traffic) than legacy copper networks, which the Enable fibre network replaced. It is estimated that fibre-to-the-home networks, which can offer performance gains of at least 10x compared with copper networks, also use 80%-90% less energy per gigabyte of data traffic. However, Telefonica claimed 85% but our calculation showed it is more like 65%.</p> <p>Enabling energy efficiency for network users: The Telefonica green bond framework makes a case that working from home, tele-conferencing, cloud computing and smart devices facilitated by high speed internet connections leads to a reduction in energy consumed and carbon emissions generated. Given Enable's network is stepped back from the network end user, we do not believe this kind of energy efficiency can be attributed to Enable.</p>	<p>S&P Global.com, 2019, How "Green" are Telecom Green Bonds?</p> <p>Telefonica (Spain) 2018 SDG Framework.</p> <p>Telefonica blog post 2019 "Did you know that fibre optic needs 7 times less energy than copper?"</p> <p>Verizon (USA) Green Financing Framework</p> <p>2006 decision for CCHL to invest in an open access fibre network.</p>
Renewable energy	Inconclusive	<p>New Zealand's integrated wholesale electricity market makes it difficult to pinpoint what type of power generation a specific site is utilising.</p> <p>Enable's 2022 Statement of Intent states the fibre network can support these activities in the Christchurch region, however, the extent to which the Enable network's data speeds and capacities are facilitating the use or uptake of renewable energy in the region is also inconclusive.</p>	<p>Electricity authority https://www.ea.govt.nz/consumers/how-does-electricity-get-to-my-house/</p> <p>Enable 2022 Statement of Intent</p>
Pollution prevention and control	Inconclusive	<p>Enable's 2022 Statement of Intent states the fibre network can support pollution prevention activities in the Christchurch region, however the materiality of these activities was inconclusive..</p> <p>During discussions with Enable we learned of the 'tunnel' method used to install the fibre network, comprising of a) cable burying techniques selected that minimise the environmental impact of the fibre installation ; and b) rigid hollow pipe installed through which additional fibre cable can be run without further disrupting or potentially polluting the natural environment.</p>	<p>Enable 2022 Statement of Intent</p>
Environmentally sustainable management of natural resources	Inconclusive	<p>Enable's 2022 Statement of Intent states that its fibre network can support these activities in the Christchurch region, however, Enable has not directly applied financial resources to these types of projects.</p>	
Terrestrial and aquatic biodiversity			
Clean transportation			
Sustainable water and wastewater management			
Climate change adaptation			
Circular economy adapted	Inconclusive	<p>Enable's 2022 Statement of Intent states the fibre network can support eco-efficient products in the</p>	

³ Green Bond Principles 2021. <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

products, production technologies and processes, e.g. certified eco-efficient products.		Christchurch region, however the materiality of these activities was inconclusive. There is the potential for the construction process used by the Enable network to fall under this category as a form of eco efficient process.	
Green buildings	Inconclusive	Enable's 2022 Statement of Intent states the fibre network can support green buildings in the Christchurch region, however the materiality of these activities was inconclusive. To the extent Enable's or CCHL's own buildings are certified as green buildings, those buildings could be incorporated into a green bond.	

Annex D

Assessment of the CCHL Sustainable Finance Framework against the seven principles of social value.⁴ Note: this assessment is not required as part of the green/social bond principles or the sustainability guidelines. The social value principles help to improve the integrity and robustness of EY's assurance over sustainable finance.

Principle	Principle definition	Assessment finding	Commentary
Involve stakeholders	Inform what gets measured and how this is measured and valued in an account of social value by involving stakeholders	Christchurch City Council (and by extension, the ratepayers and residents of Christchurch) are the key stakeholders for Enable (and Christchurch City Holdings Ltd) and there has been sustained engagement throughout the build and operation of the Enable fibre network.	
Understand what changes	Articulate how change is created and evaluate this through evidence gathered		Where measurement of societal outcomes or the impacts felt in the community is important for Enable or CCHL's integrated social, environmental and financial reporting, we would recommend a process of engagement with stakeholders (e.g. schools) to understand and measure the impact that the enable network has had.
Value the outcomes that matter	Making decisions about allocating resources between different options needs to recognise the values of stakeholders. Value refers to the relative importance of different outcomes.	The build of the fibre network was the most significant and impactful change Enable has made to the Christchurch community and economy.	If any 'before' and 'after' comparison has been conducted regarding the fibre network, then that information would be useful in articulating the key change the presence of the fibre network has facilitated.
Only include what is material	Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw conclusions about impact.		
Do not over-claim	Only claim the value that activities are responsible for creating.	Council approved the decision to own the physical fibre infrastructure and remain neutral from the services provided over it by Enable's customers. Where Enable takes on a more direct relationship with internet users through its social housing initiatives, data and information on the impact to users will be more readily available	Where there is an arms-length connection between Enable and the end users of the internet services i.e. the community, it is difficult to fully attribute societal benefits to Enable's activities. In cases where Enable makes a more direct investment in social outcomes (for example, providing internet capable devices to economically disadvantaged communities), the benefits should be at least partially attributable to Enable's direct investment.
Be transparent	Demonstrate the basis on which the analysis may be considered accurate and honest, and show that it will be reported to and discussed with stakeholders	Enable's reporting provides a comprehensive and transparent view of its activities. However, there is currently a lack of clearly articulated community outcomes being sought and evaluation of progress towards those outcomes.	Understanding and measuring the societal impact of the Enable network will likely form an important part of ongoing reporting to social bond holders, as well as CCHL's group level sustainability reporting. We recommend identifying and articulating societal outcomes or community objectives that sit under Enable's purpose statement and values. The Sustainable Development Goals could then be mapped to those objectives allowing for better alignment to the SDGs articulated in CCHL's sustainable finance framework.
Verify the result	Ensure appropriate independent assurance.	Currently no periodic measurement or verification activities with respect to social value creation / social impact measurement.	Verification gives external stakeholders (investors, customers, the community, etc.) additional confidence in the social or environmental performance results being reported.

⁴ Social Value International, 2018. 'The Seven Principles of Social Value.' Accessed at <https://www.socialvalueint.org/principles>