

A photograph showing a person walking away from the camera on a wooden boardwalk. The boardwalk leads through a field of tall, golden-yellow grass. In the background, there are majestic, snow-capped mountain peaks under a clear blue sky with some wispy clouds.

Green bond framework.

Westpac New Zealand Limited.

May 2019



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Westpac's approach to sustainability.

Westpac New Zealand Limited (WNZL) sustainability and climate change overview.

- Westpac Banking Corporation (Westpac) has long recognised that climate change is a significant issue that will impact the long-term prosperity of our economy and way of life
 - We believe that Westpac has a strong role to play in helping to create positive social, economic and environmental impact for the benefit of all. Westpac's 2020 sustainability strategy outlines its commitment to building a sustainable future by taking action in the areas where we can have the greatest impact.
https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/Westpac_Group_2018-2020_Sustainability_Strategy.pdf
 - Westpac set out its first climate change action plan almost a decade ago, and have published its climate change position statement and 2020 action plan (**Action Plan**). This Action Plan builds on Westpac's strong track record, outlining the next phase of actions Westpac is taking to meet our commitment to operate in a manner consistent with limiting global warming to less than two degrees celsius above pre-industrial levels.
<https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/WestpacCCEActionPlan.pdf>
- WNZL shares Westpac's climate change solutions
 - In alignment with Westpac's Action Plan, WNZL has published its 'Take Action on Climate Change' strategic focus.
<https://www.westpac.co.nz/assets/Sustainability/Taking-action-on-climate-change.pdf>
 - WNZL commissioned a climate change impact report completed in April 2018, which establishes that taking faster action on climate change could save New Zealand \$30 billion by 2050. <https://www.westpac.co.nz/who-we-are/sustainability-and-community/looking-after-our-environment/climate-change/climate-change-impact-report/>

Climate change solutions.

WNZL climate change solutions overview.

- **WNZL is focussed on providing finance to back Climate Change Solutions**
 - Westpac's Action Plan identifies certain activities (eg renewable energy, green buildings) as **Climate Change Solutions**. WNZL's 'Take Action on Climate Change' strategic focus incorporates the same Climate Change Solutions.
 - WNZL has a target to lend \$2 billion to Climate Change Solutions. This encompasses the total direct and indirect financing of customers, to the extent they are involved in Climate Change Solutions.
 - Find out more at <https://www.westpacsustainability.co.nz> and <https://www.westpac.co.nz/who-we-are/sustainability-and-community/looking-after-our-environment/climate-change/>
- **WNZL Green Bond Programme**
 - WNZL plans to facilitate the issuance of Green Bonds to support its commitment to provide \$2 billion in lending to Climate Change Solutions by 2020, under our 'Take Action on Climate Change' strategic focus.
 - To the extent that lending to Climate Change Solutions is consistent with the ICMA GBP¹, and aligned to this Green Bond Framework, such lending may be considered an Eligible Asset for the WNZL Green Bond Programme.
 - The procedures outlined in this Green Bond Framework set out the process for selection of Eligible Assets, and regular tracking of the Green Bond issuance proceeds and Eligible Asset Pool. On issuance of a Green Bond, net proceeds from the issue will finance or refinance Eligible Assets supporting WNZL's strategic focus on funding Climate Change Solutions.
 - Green Bonds will be issued by Westpac Securities NZ Limited, London Branch (the **Issuer**), a wholly owned and guaranteed funding subsidiary of WNZL.

¹ The International Capital Markets Association Green Bond Principles (ICMA GBP) are voluntary guidelines to allow transparency and disclosure to promote integrity in the green bond market

Green bond framework.

Green bond eligible assets and use of proceeds.

- Eligible Assets for the WNZL Green Bond Programme are loans to, or investments in:

Category	Eligibility criteria	Alignment to United Nations Social Development Goals (SDGs)
Green buildings	<ul style="list-style-type: none">Commercial property with a New Zealand Green Building Council 4 star rating and above, or a NABERSNZ 4 star rating and aboveResidential properties with a Homestar rating of 5 star and above	<ul style="list-style-type: none">SDG 7. Affordable & clean energySDG 11. Sustainable cities & communities
Renewable energy	<ul style="list-style-type: none">Solar PV and solar thermal investmentsWind power investmentsLow emissions geothermal power investmentsSmall (<25MW) hydro electric plants and refurbishment and/or refinance of existing Large scale hydro plantsNew large scale hydro	<ul style="list-style-type: none">SDG 7. Affordable and clean energy
Pollution prevention and control	<ul style="list-style-type: none">Recycling infrastructurePollution prevention investments and waste-to-landfill minimisation investmentsNon fossil fuel waste to energy and biomass power investments	<ul style="list-style-type: none">SDG 12. Responsible consumption and production
Clean transportation	<ul style="list-style-type: none">Electric freight and passenger vehicle investmentsElectrified rail investmentsLow carbon and non fossil fuel public transport investments	<ul style="list-style-type: none">SDG 11. Sustainable cities and communities
Water and wastewater management	<ul style="list-style-type: none">Wastewater treatment, reticulation and management infrastructure including mitigation and efficiency projectsNetwork construction/maintenance/equipment for water supply and distribution	<ul style="list-style-type: none">SDG 11. Sustainable cities and communities
Climate change adaptation	<ul style="list-style-type: none">Climate change adaptation and resilience investmentsNatural disaster prevention and recovery investments	<ul style="list-style-type: none">SDG 13. Climate action

Green bond framework.

Green bond eligible assets and use of proceeds, continued.

- **Use of proceeds**
 - An amount equal to the net proceeds from the issuance of the Green Bonds will be allocated to the funding of existing and future Eligible Assets.
 - Whilst the Green Bonds are outstanding, internal records of WNZL will show that the net proceeds from the issue of the Green Bonds have been allocated to Eligible Assets.
 - Payment of interest and principal on the Green Bonds will not be linked to the performance of any Eligible Assets and will be made from the Issuer's general funding pool.

Green bond framework.

Green bond eligible assets and use of proceeds, continued.

In 2015, United Nations member countries adopted the 2030 Agenda for Sustainable Development and its 17 sustainable development goals which provides internationally recognised classifications of assets. The WNZL Green Bond Framework aligns to several SDG goals and targets (not exhaustive):

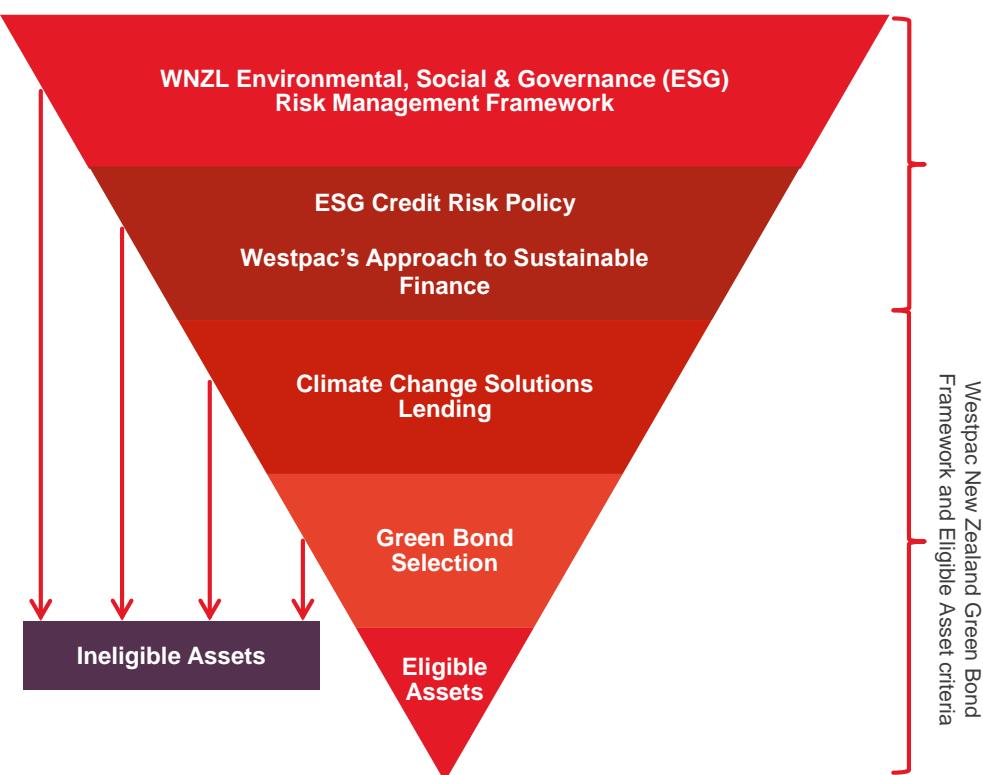
Green Bond Eligible Asset	SDG	SDG goal	SDG target description
Renewable energy	 7 AFFORDABLE AND CLEAN ENERGY	Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Green buildings	 7 AFFORDABLE AND CLEAN ENERGY	Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution prevention and control	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Responsible consumption and production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Water and waste water management	 6 CLEAN WATER AND SANITATION	Clean water and sanitation	6.3 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Clean transportation	 11 SUSTAINABLE CITIES AND COMMUNITIES	Sustainable cities and communities	11.2 By 2030, Provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Climate change adaptation	 13 CLIMATE ACTION	Climate action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Green bond framework.

Process for eligible asset evaluation and selection.

The selection and tracking of the Green Bond Eligible Asset Pool to be funded from the issuance of a Green Bond is governed by a process that aims to ensure risks are fully understood, assessed and properly controlled.

- **The process:**
 - Ensures that projects selected for the Green Bond Eligible Asset Pool meet WNZL's Eligible Asset lending criteria.
 - Ensures that where possible, funded assets represent a diverse selection of projects.
 - Seeks to understand and assess the selected projects, to manage for risks including, but not limited to, reputational risks.



Green bond framework.

Process for eligible asset evaluation and selection, continued.

1) Lending policies and frameworks

- Relevant WNZL lending is undertaken in accordance with the ESG Risk Management Framework and ESG Credit Risk Policy.

2) Asset list for Climate Change Solutions

- A request is sent to WNZL's industry teams to identify relevant assets against the Climate Change Solutions definitions. The final asset list is discussed and reviewed by relevant parties.

3) Select Eligible Assets for inclusion in Green Bond Eligible Asset Pool

- Using the Climate Change Solutions list, a subset of assets is selected based on the following priorities:
 - **Large direct exposure:** Select transactions with a large direct investment exposure to the relevant criteria. Thereafter, smaller transactions may be added if all proceeds are not yet allocated.
 - **Indirect exposure (annual review):**
 - (a) Renewable energy: by percentage of renewable generation in the total portfolio megawatt generation capacity.
 - (b) Green buildings: market value of green buildings, in the total portfolio market value.
- Where possible, assets should be chosen to allow a diverse selection across the relevant criteria, renewable energy, low carbon transport and green buildings.

Green bond framework.

Process for eligible asset evaluation and selection, continued.

4) Approve and review Green Bond Eligible Asset Pool

- The Green Bond Eligible Asset Pool is then reviewed and discussed by relevant parties within WNZL including provision of relevant process documentation, data, underlying assumptions and evidence of justification against the Green Bond Eligible Asset definitions and interviews with relevant personnel where required.

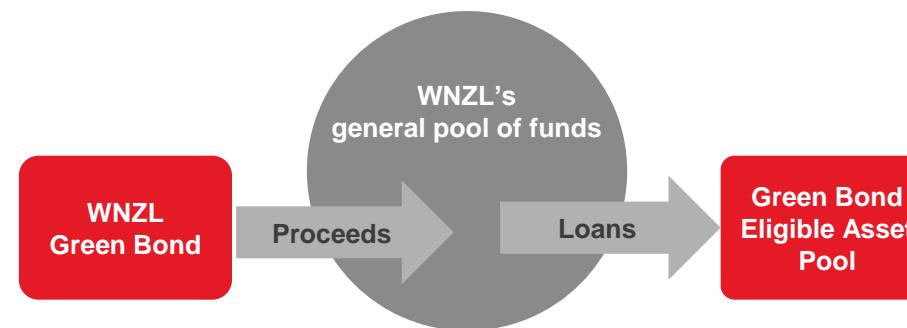
5) Confidentiality

- WNZL is not required to publicly disclose the underlying assets in the Green Bond Eligible Asset Pool. Where permissible, WNZL may look to partner with the underlying asset owner to use the name or logo of the asset to give full disclosure and for the purposes of marketing the Green Bond.

Green bond framework.

Management of proceeds.

- **Flow of funds for Green Bond**
 - Green Bond proceeds will be allocated to WNZL's general pool of funds as set out below.
 - Green Bond proceeds will be tracked and monitored using a specific product code by the WNZL Treasury, to ensure any such issuance does not exceed the value of Green Bond Eligible Assets.
- **WNZL will allocate the Green Bond proceeds to Eligible Assets as set out by the process for Eligible Asset evaluation and selection**
 - Raised proceeds will be allocated to Eligible Assets within 24 months of issuance unless specifically related to new financing requiring progressive allocation over longer timeframes. In any case, all raised proceeds will be fully allocated within the term of the Green Bond.
 - Pending allocation of raised proceeds in part or in full to Eligible Assets, or in the event that the dollar value of all available Eligible Assets falls below the amount of the net proceeds from the offering of the Green Bonds, WNZL will (in its sole discretion) temporarily invest an amount equal to the balance of such proceeds in overnight or otherwise short-term financial instruments.



Green bond framework.

Reporting.

- **Reporting indicators**

- In line with best practice, WNZL will report and maintain the Westpac fixed income investor website <https://www.westpac.com.au/about-westpac/investor-centre/fixed-income-investors/> with key quantitative and/or qualitative performance indicators and metrics in relation to the Eligible Assets funded by the WNZL Green Bond Programme. Such reports may include:

Category	Measurement criteria
Green buildings	<ul style="list-style-type: none">• Average KgCO2/m2 of each property benchmarked to baseline market performance; or• Average avoided impacts against benchmarks and commercial property NZGBC ratings or residential property Homestar ratings
Renewable energy	<ul style="list-style-type: none">• Industry standard averages – emissions avoided from using wind or solar power (MWh) generated by wind or solar generation displacing coal fired energy generation. Performance of the pool of assets benchmarked to market average
Pollution prevention and control	<ul style="list-style-type: none">• Annual reduction in waste to landfill; or• Such relevant impact indicators as practicably estimated
Clean transportation	<ul style="list-style-type: none">• Total capacity (such as freight or passengers) or annual GHG emissions reduced / avoided (CO₂te)
Water and wastewater management	<ul style="list-style-type: none">• Annual reduction in water consumption, measurable improvement in water quality or project-specific targets and results
Climate change adaptation	<ul style="list-style-type: none">• Project-specific targets and results

Green bond framework.

- **External review and assurance.**
 - WNZL has subjected its Green Bond Framework to external review and assurance by DNV GL Business Assurance Pty Limited (www.dnvgl.com) to confirm its alignment with the ICMA Green Bond Principles 2018.
 - WNZL also undertakes to have external review and assurance conducted on each proposed Green Bond issuance with the corresponding assurance opinion made publicly available through the Westpac fixed income investor website.
<https://www.westpac.com.au/about-westpac/investor-centre/fixed-income-investors/>
 - WNZL will seek periodic external review and assurance of compliance of the Green Bonds with ICMA GBPs from an independent third party, as well as confirmation of the disbursement of funds, and environmental impacts reporting of the Eligible Assets.
 - Where possible and practicable WNZL undertakes to have:
 - impact reporting metrics; and
 - alignment with and contribution to United Nations SDGsincluded in the scope of external review and assurance activities associated with its Green Bond issuance.

Green bond framework.

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