

# WESTPAC SECURITIES NZ LIMITED GREEN BOND

## DNV GL GREEN BOND PRINCIPLES ELIGIBILITY ASSESSMENT

### Scope and objectives

Westpac Securities NZ Limited, London Branch ("WSNZL" or the "Issuer") has issued a EUR 500m Green Bond (henceforth referred to as "BOND") under its USD 10 Billion Programme for the Issuance of Debt Instruments, unconditionally and irrevocably guaranteed by Westpac New Zealand Limited ("WNZL"), with ISIN: XS2016070430. WSNZL would like to label the issuance as a "Green Bond" as defined within the Green Bond Principles 2018 ("GBP") set out by the International Capital Market Association ("ICMA").

WNZL intends to use the proceeds of the BOND to finance and refinance debts associated with the numerous projects and assets within New Zealand falling within the following categories:

#### Renewable Energy:

- Green Buildings
  - Commercial Property with a New Zealand Green Building Council 4 star rating and above, or a NABERSNZ 4 star rating and above;
  - Residential Properties with a Homestar rating of 5 star and above;
- Renewable Energy Projects
  - Solar PV and Solar Thermal;
  - Wind Power;
  - Low Emissions Geothermal Power;
  - Small Hydro Electric Power (<25MW) and refurbishment/refinance of existing Large Hydro Electric Plants;
  - New Large Scale Hydro (with reservoir power density greater than 10W/m<sup>2</sup>);
- Pollution Prevention & Control Projects
  - Recycling Infrastructure;
  - Pollution prevention investments and waste-to-landfill minimization;
  - Non Fossil Fuel Waste to Energy and Biomass Power;
- Clean Transportation Projects
  - Electric Freight and Passenger Vehicles;
  - Electrified Rail;
  - Low Carbon and Non Fossil Fuel Transport
- Water and Wastewater Management projects

- Wastewater Treatment, Reticulation and Management Infrastructure including Mitigation and Efficiency
- Network Construction/Maintenance/Equipment for Water Supply
- Climate Change Adaptation projects
  - Climate Change Adaptation and Resilience investments;
  - Natural Disaster Prevention and Recovery investments.

DNV GL Business Assurance Australia Pty Ltd (henceforth referred to as “DNV GL”) has been commissioned by WNZL to provide a Green Bond eligibility assessment of the WNZL Green Bond Framework and BOND. Our methodology to achieve this is described under ‘Work Undertaken’ below. DNV GL has provided independent assessment in the form of external assurance on the alignment of the WNZL Green Bond Framework and BOND with the GBP 2018.

No assurance is provided regarding the financial performance of the BOND, the value of any investments in the BONDS, or the long term environmental benefits of the transaction. Our objective has been to provide an assessment that the BOND has met the criteria established on the basis set out below.

The scope of this DNV GL opinion is limited to the GBP.

## Responsibilities of the Management of WNZL and DNV GL

The management of WNZL has provided the information and data used by DNV GL during the delivery of this review. Our statement represents an independent opinion and is intended to inform WNZL management and other interested stakeholders in the BOND as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by WNZL. DNV GL is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV GL shall not be held liable if any of the information or data provided by WNZL’s management and used as a basis for this assessment were not correct or complete.

## Basis of DNV GL’s opinion

We have adapted our GBP methodology, which incorporates the requirements of the GBP, to create a WNZL-specific Green Bond Eligibility Assessment Protocol (henceforth referred to as “Protocol”). Our Protocol includes a set of suitable criteria that can be used to underpin DNV GL’s opinion. The overarching principle behind the criteria is that a green bond should “enable capital-raising and investment for new and existing projects with environmental benefits”.

As per our Protocol, the criteria against which the BOND has been reviewed are grouped under the four Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a green bond must use the funds raised to finance or refinance eligible activities. The eligible activities should produce clear environmental benefits.

- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a green bond should outline the process it follows when determining eligibility of an investment using Green Bond proceeds, and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a green bond should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.

**Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least Sustainability Reporting to the bond investors should be made of the use of bond proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

## Work undertaken

Our work constituted a high level review of the available information, based on the understanding that this information was provided to us by WNZL in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of a WNZL-specific Protocol, adapted to the purpose of the BOND, as described above and in Schedule 2 to this Assessment;
- Assessment of documentary evidence provided by WNZL on the BOND and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with WNZL management, and review of relevant documentation;
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

## Findings and DNV GL's opinion

DNV GL's findings are listed below:

**1. Principle One: Use of Proceeds.** WNZL plans to use the proceeds of the BOND to finance and re finance projects and assets including:

- Green buildings
- Renewable Energy projects
- Pollution prevention projects
- Water Infrastructure
- Low Carbon Transport
- Climate Change Adaptation and Resilience investments

DNV GL reviewed the criteria for the project categories above to determine the eligibility of the nominated projects and assets.

**2. Principle Two: Process for Project Evaluation and Selection.** The BOND's proceeds will be allocated to finance and refinance the assets in line with the categories defined in Schedule 1. DNV GL has reviewed evidence that demonstrates that WNZL regularly assesses opportunities for improvement and devises action plans and initiatives to mitigate negative environmental and social impacts from its operations.

**3. Principle Three: Management of Proceeds** DNV GL has reviewed evidence showing how WNZL plans to trace the proceeds from the Bond, from the time of issuance to the time of disbursement. The full amount of the proceeds will be managed within WNZL treasury or equivalent, and thereafter disbursed in accordance with the eligible assets. The details of the disbursement and the outstanding value will be tracked using WNZL's internal financial reporting system. At the end of each financial period, WNZL will review the outstanding balance of the BOND. As stated above, DNV GL provides no assurance regarding the financial performance of the Bond, the value of any investments in the Bond, or the effects of the transaction.

**4. Principle Four: Reporting.** WNZL has confirmed that it will provide an annual report on its Westpac fixed income investor website. This will include description of the green bond proceeds allocation, overview of the projects financed or refinanced and the environmental impact for the term of the bond.

On the basis of the information provided by WNZL and the work undertaken, it is DNV GL's opinion that the WNZL Green Bond Framework and BOND meet the criteria established in the Protocol and that it is aligned with the stated definition of green bonds within the Green Bond Principles, which is to "enable capital-raising and investment for new and existing projects with environmental benefits".

**for DNV GL Business Assurance Australia Pty Ltd**

29 June 2019



**Mark Robinson**

Manager, Sustainability Services  
DNV GL – Business Assurance

**About DNV GL**

Driven by our purpose of safeguarding life, property and the environment, DNV GL enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

## SCHEDULE 1: DESCRIPTION OF NOMINATED ASSETS TO BE FINANCED AND REFINANCED THROUGH WSNZL GREEN BOND

WNZL is proposing to use the proceeds raised by the initial Green Bond to finance and refinance assets falling under the following categories. DNV GL has confirmed that these fall within the categories set out in the WNZL Green Bond Framework.

| Project or Asset Category | Project or Asset Type              | Project or Asset Location |
|---------------------------|------------------------------------|---------------------------|
| Renewable Energy          | Solar Power (PV/Thermal)           | New Zealand               |
|                           | Wind Power                         | New Zealand               |
|                           | Hydro Electric Power (Small/Large) | New Zealand               |
|                           | Geothermal Power                   | New Zealand               |
| Green Buildings           | Green Buildings                    | New Zealand               |

## SCHEDULE 2: GREEN BOND ELIGIBILITY ASSESSMENT PROTOCOL

### 1. Use of proceeds

| Ref. | Criteria                 | Requirements  | Work Undertaken  | DNV GL Findings  |
|------|--------------------------|---|--|--|
| 1a   | Type of bond             | <p>The bond must fall in one of the following categories, as defined by the GBP:</p> <ul style="list-style-type: none"> <li>• Green Use of Proceeds Bond</li> <li>• Green Use of Proceeds Revenue Bond</li> <li>• Green Project Bond</li> <li>• Green Securitized Bond</li> </ul> | <p>Review of:</p> <ul style="list-style-type: none"> <li>- BOND Final Terms</li> <li>- WNZL Green Bond Framework</li> </ul> <p>Discussions with WNZL management</p>  | <p>The reviewed evidence confirms that the BOND falls in the category: Green Use of Proceeds Bond.</p>   |
| 1b   | Green Project Categories | <p>The cornerstone of a Green Bond is the utilization of the proceeds of the bond which should be appropriately described in the legal documentation for the security.</p>  | <p>Review of:</p> <ul style="list-style-type: none"> <li>- BOND Final Terms</li> <li>- WNZL Green Bond Framework</li> <li>- Sub Project Performance and Financial Documentation</li> </ul> <p>Discussions with WNZL management</p> | <p>As identified by the issuer disclosures the purpose of the BOND is to use the proceeds to finance and refinance projects and acquisitions for projects falling under the following categories:</p> <p>Renewable Energy:</p> <ul style="list-style-type: none"> <li>• Green Buildings</li> <li>• Renewable Energy projects</li> <li>• Pollution Prevention &amp; Control projects</li> <li>• Clean Transportation</li> <li>• Water and Wastewater Management projects</li> <li>• Climate Change Adaptation projects</li> </ul> |

| Ref. | Criteria               | Requirements  | Work Undertaken  | DNV GL Findings   |
|------|------------------------|---|--|---|
|      |                        |   |  | DNV GL's assessment concluded that these assets would present a low risk of GHG emissions relative to fossil fuels and qualify for inclusion under the GBP within the Renewable Energy category.  |
| 1c   | Environmental benefits | All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.   | Review of: <ul style="list-style-type: none"> <li>- BOND Final Terms</li> <li>- WNZL Green Bond Framework</li> <li>- WNZL Asset Specifications</li> </ul> Discussions with WNZL management                 | DNV GL reviewed the project selection criteria for projects and assets to be included in the bond pool and confirmed their nature and type to reasonably include the generation of renewable energy, energy efficiency, pollution prevention and climate adaptation and resilience, which is in line with the Use of Proceeds under the GBP 2018. |
| 1d   | Refinancing share      | In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced. | Review of: <ul style="list-style-type: none"> <li>- BOND Final Terms</li> <li>- Bond disclosure documentation</li> <li>- BOND Proceeds and reporting framework</li> </ul> Discussions with WNZL management | The proceeds of the BOND, as below, may be used for new finance and refinancing of existing assets.   |



## 2. Process for Project Selection and Evaluation

| Ref. | Criteria   | Requirements   | Work Undertaken   | DNV GL Findings  |
|------|--|--|---|--|
| 2a   | Investment-decision process                                | <p>The issuer of a Green Bond should outline the decision-making process it follows to determine the eligibility of projects using Green Bond proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> <li>• A process to determine how the projects fit within the eligible Green Projects categories identified in the GBP;</li> <li>• The criteria making the projects eligible for using the Green Bond proceeds; and</li> <li>• The environmental sustainability objectives</li> </ul> | <p>Review of:</p> <ul style="list-style-type: none"> <li>- BOND Final Terms</li> <li>- WNZL Green Bond Framework</li> <li>- Appendix 2 of the Green Bond Framework</li> </ul>   | <p>As per the WNZL Green Bond Framework, WNZL has set out the following criteria for project selection:</p> <p><b>Process for Project Evaluation and Selection</b></p> <p>The selection and tracking of the Green Bond 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.</p> <p>The process:</p> <ul style="list-style-type: none"> <li>• Ensures that projects selected for the Green Bond asset pool meet WNZL's Eligible Asset lending criteria;</li> <li>• Ensures where possible that funded assets represent a diverse selection of projects;</li> <li>• Seeks to understand and assess the selected projects, to manage for risks including, but not limited to, reputational risks.</li> </ul> <p>DNV GL confirmed this process to define a clear and repeatable system by which projects maybe identified and included or excluded from the Green Bond project pool. The Criteria making the projects eligible for inclusion contained within the Green Bond Framework were in line with the GBP eligible categories and can be expected to result in quantifiable environmental benefits.</p> |
| 2b   | Issuer's environmental and social and governance framework | In addition to information disclosed by an issuer on its Green Bond process, criteria and assurances, Green Bond investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental sustainability.  | <p>Review of:</p> <ul style="list-style-type: none"> <li>- WNZL Sustainability and WNZL Governance Framework</li> <li>- WNZL Sustainability Reporting</li> <li>- WNZL Green Bond Framework</li> </ul> <p>Discussions with WNZL management</p> | <p>DNV GL reviewed the WNZL Governance Framework Documents in addition to the Corporate and sustainability reporting. WNZL conducts Sustainability Reporting on an annual basis, which feeds up into the Westpac Group annual GRI 4 Annual Sustainability Report.</p> <p>WNZL's Governance frameworks form the basis for clear stakeholder reporting of relevant metrics such a GHG</p>  |

| Ref. | Criteria | Requirements | Work Undertaken | DNV GL Findings  |
|------|----------|--------------|-----------------|--|
|      |          |              |                 | <p>emissions in addition to other social and environmental metrics. The proposed reporting associated with the WNZL Green Bond is in line with their existing Governance Commitments and metrics to stakeholders and investors.</p> <p>DNV GL notes that the performance of the nominated assets within the Bond pool is to be reported as a part of WNZL's periodic reporting as per the WNZL Green Bond Framework.</p> <p>The selected reporting performance metrics for the nominated projects and assets as stated within the Green Bond Framework, are in line with the governance framework demonstrated by WNZL within the information provided on their website.</p> <p>We have also carried out a high-level media review of WNZL. We have found no evidence to suggest that WNZL or any proposed projects and assets are or have been operating in breach of national or local environmental regulations.</p> <p>Based on the evidence reviewed and the discussion we had with senior managers, we found nothing to suggest that WNZL's governance framework is not in line with good practice of the industry in which it operates.</p> |

### 3. Management of proceeds

| Ref. | Criteria           | Requirements   | Work Undertaken  | DNV GL Findings  |
|------|--------------------|--|--|--|
| 3a   | Tracking procedure | The net proceeds of Green Bonds should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for Green Projects. | Review of: <ul style="list-style-type: none"> <li>- BOND Final Terms</li> <li>- BOND Proceeds and reporting framework</li> </ul><br>Discussions with WNZL management | <p>The evidence reviewed shows how WNZL plans to trace the BOND's proceeds, from the time of issuance to the time of disbursement.</p> <p>The full amount of the proceeds will be managed within treasury or equivalent, and thereafter disbursed in accordance with the investment schedules and debt obligations.</p> <p>The details of the disbursement and the outstanding value will be tracked in WNZL's internal financial system. At the end of each financial period, the outstanding balance of the BOND will be reviewed.</p> |
| 3b   | Tracking procedure | So long as the Green Bonds are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments or loan disbursements made during that period.   | Review of: <ul style="list-style-type: none"> <li>- BOND Final Terms</li> <li>- WNZL Green Bond Framework</li> </ul><br>Discussions with WNZL management             | <p>The evidence reviewed shows that WNZL plans to trace the proceeds from the BOND, from the time of issuance to the time of disbursement and reduce the net balance of proceeds by amounts in line with the assets investment and debt repayment schedules. At the end of each financial period, the outstanding balance of the Bond will be reviewed.</p>  |
| 3c   | Temporary holdings | Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.  | Review of: <ul style="list-style-type: none"> <li>- BOND Management of Proceeds framework</li> </ul><br>Discussions with WNZL management                             | <p>The net proceeds of the Bond will be managed within treasury or equivalent, tracked and will be fully and immediately disbursed where possible or held in equivalent green investments or cash equivalent until disbursement to the nominated assets as per the WNZL Green Bond Framework.</p>  |

#### 4. Reporting

| Ref. | Criteria             | Requirements  | Work Undertaken                  | DNV GL Findings   |
|------|----------------------|---|----------------------------------|---|
| 4a   | Periodical reporting | In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Green Bond proceeds have been allocated including - when possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact. | Discussions with WNZL management | WNZL will provide dedicated annual Green Bond Reporting via the Westpac Fixed Income investor website. This may include description of the projects and value of the proceeds invested, as well as the associated qualitative and quantitative environmental impacts. |