WESTPAC NZ LIMITED GREEN BOND

DNV GL GREEN BOND PRINCIPLES ELIGIBILITY ASSESSMENT

Scope and objectives

Westpac NZ Limited ("WESTPAC NZ" or "Issuer"), is a New Zealand based bank and financial services provider.

WESTPAC NZ is considering the issuance of a green bond via its funding subsidiary, Westpac Securities NZ Limited, London Branch (henceforth referred to as "BOND") and 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").

WESTPAC NZ 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/m²);

- 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
  o Wastewater Treatment, Reticulation and Management Infrastructure including Mitigation and Efficiency
  o Network Construction/Maintenance/Equipment for Water Supply

• Climate Change Adaptation projects
  o Climate Change Adaptation and Resilience investments;
  o Natural Disaster Prevention and Recovery investments.

DNV GL Business Assurance Australia Pty Ltd (henceforth referred to as “DNV GL”) has been commissioned by WESTPAC NZ to provide a Green Bond eligibility assessment of the WESTPAC NZ Green Bond Framework and proposed BOND. Our methodology to achieve this is described under ‘Work Undertaken’ below. We were not commissioned to provide independent assurance or other audit activities.

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 Green Bond Principles 2018 (GBP).

Responsibilities of the Management of WESTPAC NZ and DNV GL

The management of WESTPAC NZ 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 WESTPAC NZ 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 WESTPAC NZ. 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 WESTPAC NZ’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 Green Bond Principles methodology, which incorporates the requirements of the GBP, to create a WESTPAC NZ-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 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 WESTPAC NZ 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 an WESTPAC NZ-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 WESTPAC NZ on the BOND and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with WESTPAC NZ 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.** WESTPAC NZ 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 WESTPAC NZ 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 WESTPAC NZ 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 Westpac NZ 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 WESTPAC NZ’s internal financial reporting system. At the end of each financial period, WESTPAC NZ 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.** WESTPAC NZ 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 WESTPAC NZ and the work undertaken, it is DNV GL’s opinion that the Westpac NZ Green Bond Framework and proposed 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

16 May 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 WESTPAC NZ GREEN BOND

WESTPAC NZ is proposing to use the proceeds raised by the proposed 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 WESTPAC NZ Green Bond Framework.

<table>
<thead>
<tr>
<th>Project or Asset Category</th>
<th>Project or Asset Type</th>
<th>Project or Asset Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable Energy</td>
<td>Solar Power (PV/Thermal)</td>
<td>New Zealand</td>
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<td></td>
<td>Wind Power</td>
<td>New Zealand</td>
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<td>Hydro Electric Power (Small/Large)</td>
<td>New Zealand</td>
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<td>Geothermal Power</td>
<td>New Zealand</td>
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<td>Green Buildings</td>
<td>Green Buildings</td>
<td>New Zealand</td>
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## SCHEDULE 2: GREEN BOND ELIGIBILITY ASSESSMENT PROTOCOL

### 1. Use of proceeds

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<thead>
<tr>
<th>Ref.</th>
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<th>Work Undertaken</th>
<th>DNV GL Findings</th>
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</table>
| 1a   | Type of bond | The bond must fall in one of the following categories, as defined by the Green Bond Principles:  
- Green Use of Proceeds Bond  
- Green Use of Proceeds Revenue Bond  
- Green Project Bond  
- Green Securitized Bond | Review of:  
- BOND Term Sheet or equivalent or equivalent  
- WESTPAC NZ Green Bond Framework  
Discussions with WESTPAC NZ management | The reviewed evidence confirms that the BOND falls in the category: Green Use of Proceeds Bond. |
| 1b   | Green Project Categories | 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. | Review of:  
- BOND Term Sheet or equivalent  
- WESTPAC NZ Green Bond Framework  
- Sub Project Performance and Financial Documentation  
Discussions with WESTPAC NZ management | 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:  
Renewable Energy:  
- Green Buildings  
- Renewable Energy projects  
- Pollution Prevention & Control projects  
- Clean Transportation  
- Water and Wastewater Management projects  
- Climate Change Adaptation projects |
<table>
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<tr>
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<tr>
<td></td>
<td></td>
<td>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 Green Bond Principles within the Renewable Energy category.</td>
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<tr>
<td>1c</td>
<td>Environmental benefits</td>
<td>All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.</td>
<td>Review of:</td>
<td>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 Green Bond Principles 2018.</td>
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<td></td>
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<td></td>
<td>- BOND Term Sheet or equivalent</td>
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<td></td>
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<td>- WESTPAC NZ Green Bond Framework</td>
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<td>- WESTPAC NZ Asset Specifications</td>
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<td></td>
<td>Discussions with WESTPAC NZ management</td>
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<td>1d</td>
<td>Refinancing share</td>
<td>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. refinancing, and where appropriate, also clarify which investments or project portfolios may be refinanced.</td>
<td>Review of:</td>
<td>The proceeds of the BOND, as below, may be used for new finance and refinancing of existing assets. The proportion of this is to be defined prior to issuance</td>
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<td></td>
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<td>- BOND Term Sheet or equivalent</td>
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<td>- Bond disclosure documentation</td>
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<td>- BOND Proceeds and reporting framework</td>
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<td>Discussions with WESTPAC NZ management</td>
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2. Process for Project Selection and Evaluation

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</table>
| 2a   | Investment-decision process | 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:  
  - A process to determine how the projects fit within the eligible Green Projects categories identified in the Green Bond Principles;  
  - The criteria making the projects eligible for using the Green Bond proceeds; and  
  - The environmental sustainability objectives | Review of:  
  - BOND Term Sheet or equivalent  
  - WESTPAC NZ Green Bond Framework  
  - Appendix 2 of the Green Bond Framework | As per the WESTPAC NZ Green Bond Framework, the issuer has set out the following criteria for project selection:  

**Process for Project Evaluation and Selection**

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.  

The process:
  - Ensures that projects selected for the Green Bond asset pool meet Westpac NZ’s Eligible Asset lending criteria;  
  - Ensures where possible that 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.

DNV GL confirmed this process to define a clear and repeatable system by which projects may be 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 Green Bond Principles eligible categories and can be expected to result in quantifiable environmental benefits. |
| 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. | Review of:  
  - WESTPAC NZ Sustainability and WESTPAC NZ Governance Framework  
  - WESTPAC NZ Sustainability Reporting  
  - WESTPAC NZ Green Bond Framework | DNV GL reviewed the WESTPAC NZ Governance Framework Documents in addition to the Corporate and sustainability reporting. WESTPAC NZ conducts Sustainability Reporting on an annual basis, which feeds up into the Westpac Group annual GRI 4 Annual Sustainability Report.  

WESTPAC NZ’s Governance frameworks form the basis for clear stakeholder reporting of relevant metrics such as GHG... |
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<tr>
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<td></td>
<td>Discussions with WESTPAC NZ management</td>
<td>emissions in addition to other social and environmental metrics. The proposed reporting associated with the WESTPAC NZ Green Bond is in line with their existing Governance Commitments and metrics to stakeholders and investors. DNV GL notes that the performance of the nominated assets within the Bond pool is to be reported as a part of WESTPAC NZ’s periodic reporting as per the WESTPAC NZ Green Bond Framework. 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 WESTPAC NZ within the information provided on their website. We have also carried out a high-level media review of WESTPAC NZ. We have found no evidence to suggest that WESTPAC NZ or any proposed projects and assets are or have been operating in breach of national or local environmental regulations. Based on the evidence reviewed and the discussion we had with senior managers, we found nothing to suggest that WESTPAC NZ’s governance framework is not in line with good practice of the industry in which it operates.</td>
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### 3. Management of proceeds

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<tr>
<td>3a</td>
<td>Tracking procedure</td>
<td>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.</td>
<td>Review of: - BOND Term Sheet or equivalent - BOND Proceeds and reporting framework</td>
<td>The evidence reviewed shows how WESTPAC NZ plans to trace the BOND’s proceeds, from the time of issuance to the time of disbursement. 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. The details of the disbursement and the outstanding value will be tracked in WESTPAC NZ’s internal financial system. At the end of each financial period, the outstanding balance of the BOND will be reviewed.</td>
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<td>3b</td>
<td>Tracking procedure</td>
<td>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.</td>
<td>Review of: - BOND Term Sheet or equivalent - WESTPAC NZ Green Bond Framework</td>
<td>The evidence reviewed shows that WESTPAC NZ 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.</td>
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<td>3c</td>
<td>Temporary holdings</td>
<td>Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary investment</td>
<td>Review of: - BOND Management of Proceeds framework</td>
<td>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 WESTPAC NZ Green Bond Framework.</td>
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<td>instruments for the balance of unallocated proceeds.</td>
<td>Discussions with WESTPAC NZ management</td>
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4. Reporting

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<tbody>
<tr>
<td>4a</td>
<td>Periodical reporting</td>
<td>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.</td>
<td>Discussions with WESTPAC NZ management</td>
<td>WESTPAC NZ will provide dedicated annual Green Bond Reporting via the Westpac Fixed Income investor website. This will include description of the project and value of the proceeds invested, as well as the associated qualitative and quantitative environmental impacts.</td>
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</table>