

Independent Reasonable Assurance Report to the Directors and Management of Westpac Banking Corporation

Assurance conclusion

Based on our reasonable assurance procedures, as described in this statement as of 26 June 2017, in our opinion Westpac's bond issuance process in relation to the issuance of its 2016 and 2017 Climate Bonds 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 Westpac's Climate Bonds post-issuance in order to provide an opinion as to whether the subject matter detailed below continues to meet, in all material respects, the criteria as presented below as of 26 June 2017.

Subject matter

The subject matter for our assurance is Westpac's Climate Bond Issuance process including Westpac's:

- ▶ total debt exposure at the time of issuance to eligible wind energy generation and related infrastructure, and commercial building projects, exceeding the combined total bond issuance value of AUD500m (being Westpac's original Climate Bond issuance), and the subsequent issuance of a Climate Bond to the value of USD50m;
- ▶ management of Climate Bond proceeds; and
- ▶ reporting on use of proceeds and project performance

Criteria

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

- ▶ The Climate Bond Standard v2.1, including eligibility criteria for wind energy generation
- ▶ The Climate Bond Standard v2.1, including eligibility criteria for solar energy generation
- ▶ The Climate Bond Standard v2.1, Low Carbon Transport criteria and guidance
- ▶ The Climate Bond Standard v2.1, Low Carbon Buildings criteria and guidance

Assurance Approach

Our assurance approach was conducted in accordance with the Australian Standard on Assurance Engagements ASAE 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3100: *Compliance Engagements*.

Management Responsibility

The management of Westpac ('Management') are 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 Climate 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 that are sufficient for us to obtain a meaningful level of assurance as the basis for 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

Our assurance procedures performed included:

- ▶ Assessing policies and procedures established by Westpac related to the issuance of the 2016 and 2017 Climate Bonds,
- ▶ Confirming eligibility of nominated projects for inclusion in Westpac's Climate Bonds,
- ▶ Interviewing selected business unit and group level personnel to understand the key issues related to Westpac's policies and procedures relevant for receipt and use of funds,
- ▶ Reviewing selected 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 processes function 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 following Table.

| Item | Requirement | Assurance Procedures |
|------|-------------------------------------|--|
| #1 | Project Nomination | <ul style="list-style-type: none"> ▶ Gained new contract details for any new nominated projects since EY last performed post-issuance assurance of the Bonds ▶ Received management representation that these (if any) were the only changes to the nominated projects |
| #2 | Use of Proceeds | <ul style="list-style-type: none"> ▶ Reviewed the Climate Bond pool to confirm whether net proceeds had been allocated against the Nominated Projects and Assets and, if refinanced, projects had been identified ▶ Reviewed Westpac's Murex trades for the issuance of the bonds and the presence of a Climate Bond product code on the trades to enable internal tracking ▶ Reviewed the Climate Bond pool value to confirm whether the value of the pool was greater than the value of the bonds issued in June 2016 and February 2017 |
| #3 | Non-Contamination | <ul style="list-style-type: none"> ▶ Reviewed Westpac's dates of trades for receiving and allocating funds against dates Nominated Projects were assigned against the Climate Bond from internal systems and processes ▶ Reviewed Westpac's Murex trades for the issuance of the bonds and the presence of a Climate Bond product code ▶ Reviewed the Climate Bond pool value to confirm whether there were unallocated proceeds ▶ Reviewed Westpac's Climate Bond process documents to confirm whether processes were in place for unallocated proceeds |
| #4 | Confidentiality | <ul style="list-style-type: none"> ▶ Reviewed existing communications about Nominated projects and assets to the market ▶ Reviewed Westpac's Climate Bond process documents to confirm the processes in place to maintain confidentiality |
| #5 | Reporting | <ul style="list-style-type: none"> ▶ Reviewed Westpac's Climate Bond process documents to confirm the processes in place for reporting including the Nominated Projects and Assets, a description of the projects, and the amounts disbursed - as well as performance indicators for the environmental objective of the Nominated Projects & Assets ▶ Reviewed Investor Presentation for reported information |
| #6 | Climate Bond Taxonomy | <ul style="list-style-type: none"> ▶ Reviewed proposed new projects to confirm whether they fell into one or more of the investment areas contained in the latest version of the Climate Bonds Taxonomy |
| #7 | Eligible projects & physical assets | <ul style="list-style-type: none"> ▶ Reviewed proposed new projects to confirm whether they met the specific eligibility criteria for Wind, Green Commercial buildings, transport and solar PV |
| #8 | Technical criteria | <ul style="list-style-type: none"> ▶ Tested nominated projects to determine whether they met the minimum technical requirements of the Climate Bonds Standard |
| #9 | Project holding | <ul style="list-style-type: none"> ▶ Reviewed the Climate Bond pool to determine whether the Nominated Projects and Assets fair market value was at least equal to the original principal amount of the bond at the time of issuance |
| #10 | Settlement period | <ul style="list-style-type: none"> ▶ Reviewed the Climate Bond pool to determine if the net proceeds of the bond had been distributed to the Nominated Projects within 24 months of bond issuance |
| #11 | Earmarking funds | <ul style="list-style-type: none"> ▶ Confirmed the policies, processes and procedures used to identify flows of proceeds related to the Bond |

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.

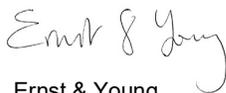
Our assurance was limited to the Westpac Climate Bonds, twelve months post-issuance, and did not include statutory financial statements.

Use of Report

Our responsibility in performing our assurance activities is to the directors of Westpac only and in accordance with the terms of reference for this engagement as agreed with them. 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 2017 Climate Bond six month 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

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26 June 2017