

WESTPAC BANKING CORPORATION
ABN 33 007 457 141

Climate Change Position Statement and Action Plan

NOVEMBER 2022

 **estpac** GROUP

Our ambition to become a net-zero, climate resilient bank

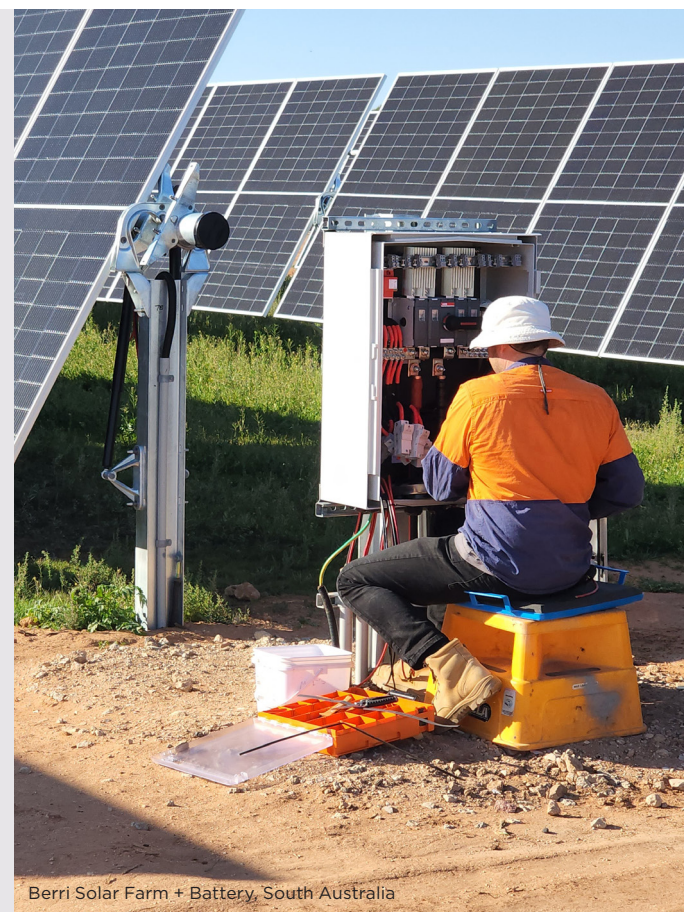
Climate change is a significant issue that will impact the long-term prosperity of the economy and our way of life.

We recognise the effects of climate change already impact our business, customers and community. It is our ambition to become a net-zero, climate resilient bank and in July 2022 we joined the Net-Zero Banking Alliance (NZBA).

Defining our ambition to become a net-zero, climate resilient bank

We are working to:

- reduce our direct operational and financed emissions consistent with a commitment to align with a 1.5°C pathway¹ to net-zero by 2050;
- build climate resilience into our direct operations and facilities;
- provide financial products and services that support customers to transition and build their climate resilience;
- mobilise capital to incentivise development of transition technologies and climate adaptation measures;
- engage on matters of government policy; and
- contribute to industry initiatives.



Berri Solar Farm + Battery, South Australia

In this document a reference to 'Westpac', 'Group', 'Westpac Group', 'we', and 'our' is to Westpac Banking Corporation ABN 33 007 457 141 and its consolidated subsidiaries. Unless otherwise stated, the document applies globally, incorporating all Westpac Group brands (including Westpac, St. George, BankSA, Bank of Melbourne, RAMS and Westpac Institutional Bank) and locations across Australia, New Zealand, the Pacific, Asia, the United Kingdom, Germany and the United States, but exclude those businesses in our Specialist Businesses segment as they have either been sold (with the transaction not yet complete) or we are planning their exit. All dollar amounts are in Australian Dollars.

Any representations made in this document as to future actions by the Westpac Group, including without limitation climate change, sustainability and net-zero related forward-looking statements, targets, commitments, estimates, assumptions and metrics, are predictive in character. Whilst every effort has been made to ensure that the assumptions on which the relevant statement is based are reasonable, these statements and the implementation process and/or outcome(s) may be affected or impacted by incorrect assumptions and/or by known or unknown risks, uncertainties or events beyond the control of the Westpac Group. As a result, the ultimate outcome(s) may differ from the action(s) described in this Statement. Please refer to the full disclaimer at the back of this Statement.

¹ A pathway to net-zero by mid-century, or sooner, including CO₂-e emissions reaching net-zero at the latest by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100.

Our Climate Change Position Statement and Action Plan

Our Climate Change Position Statement (Position Statement) sets out our positions on key climate change risks and opportunities for our business, customers, and community. It provides the framework within which we seek to conduct business, support customers and engage with stakeholders. It outlines the actions and targets that drive our focus and guide our people as we seek to become a net-zero, climate resilient bank.

We recognise the need to continually review our targets, positions and pathways as climate science advances, requirements and opportunities for transition and resilience evolve, and guidance and policy develops. We will review our Position Statement annually, or as needed, so it remains relevant and aligned with our ambition.

We also seek to understand stakeholder perspectives on climate change. To do this, we regularly:

- engage with customers, investors, industry bodies, governments, non-government organisations and community representatives;
- conduct research and scenario analysis to keep across the latest climate science;
- participate in local and international industry-based forums; and
- benchmark ourselves using well-respected climate and sustainability indices and surveys.

Implementing our Position Statement is supported by our Action Plan, which outlines at a high-level the categories of actions we are taking to deliver on our ambition and commitments. It includes our net-zero transition plans, in line with our commitment to the NZBA. Unless specified, we aim to implement the actions in our Action Plan by 30 September 2025.

The targets in this Position Statement have been developed in accordance with our NZBA commitment. Further detail on our target setting, including assumptions and calculation approaches, can be found in a separate document 'Net-Zero 2030 Targets and Financed Emissions – Our methodology and approach' available on our website (www.westpac.com.au).

Managing our Position Statement and Action Plan

The Position Statement and Action Plan cover Westpac Group but exclude those businesses, unless otherwise noted, in our Specialist Businesses segment as they have either been sold (with the transaction not yet complete) or we are planning their exit.

Our Position Statement is supplemented by a suite of position statements for sensitive sectors and related sustainability issues (e.g. human rights). Our Position Statement and Action Plan has been reviewed by the Environment, Social, Governance and Reputation (ESGR) Committee, which is an executive level committee and chaired by our CEO. It has also been approved by the Board. The Board has oversight of our response to climate change. The CEO has overall accountability for the execution of our response to climate change. Management of actions are delegated to the Executive Team as appropriate.

As part of our Action Plan, we will continue our work to operationalise positions and targets into our internal processes and governance. We will further:

- embed climate-related risks into risk management frameworks, risk appetite measures and policies;

- train our people on Environment, Social and Governance (ESG) topics, including climate change, as relevant to their roles; and
- increase our financing for the climate transition and extend our product suite to support customers as they manage their climate risks.

We provide further details on our climate change governance and risk management approach in our annual climate-related disclosures. We will also report progress against our Action Plan as part of our annual reporting.



Annual Report



Net-Zero 2030 Targets and Financed Emissions

[2022 Sustainability Index and Datasheet](#)

[Human Rights Position Statement and 2023 Action Plan](#)

Our ambition to become a net-zero, climate resilient bank

Our principles



A science-based transition to a net-zero emissions economy is required by 2050



Addressing climate change should reduce risks and create opportunities for our business and customers



Transition should be technology-driven, inclusive and safeguard our natural environment



Collective action is vital



Our approach should be transparent with thorough disclosures

Our action areas



Net-zero, climate resilient operations



Supporting customers' transition to net-zero and to build their climate resilience



Collaborate for impact on initiatives towards net-zero and climate resilience

Foundations



Strong governance



Sustainable products and services



Robust risk management



Empowering our people



Reliable data and analysis

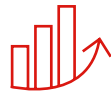
Our principles



A science-based transition to a net-zero emissions economy is required by 2050

We support the scientific evidence on human-induced global warming produced by the Intergovernmental Panel on Climate Change (IPCC). We believe in the need to limit global warming to 1.5°C above pre-industrial levels by 2100.

A 1.5°C pathway is achievable only if the economy transitions to net-zero emissions by 2050.



Addressing climate change should reduce risks and create opportunities for our business and customers

We seek to play a constructive and responsible role in developing an appropriate response to climate change in the economies in which we operate.

While investments are required across the economy to decarbonise, appropriate government policies that incentivise and support transition should lead to improved economic growth and resilience.

The reduction of global greenhouse gas emissions and addressing the physical impacts of climate change require changes in investment and a shift in business models.

Westpac has long considered climate-related risk a financial risk. We believe managing the risks and leveraging the opportunities is good business for customers and us.



Transition should be technology-driven, inclusive and safeguard our natural environment

Risks associated with climate change have environmental, social and economic dimensions and are predicted to impact all aspects of society.

The 1.5°C pathway to net-zero emissions should be well planned and sensitive to interconnections with other factors such as human rights and safeguarding the natural environment to support an orderly and inclusive transition.

This requires increased adoption of renewable energy and clean technologies, enhancing bio-sequestration, and reducing deforestation.

As a major financial institution, we can act as a market facilitator, supporting customers and communities to adopt measures that will support an inclusive and orderly transition to a more resilient and prosperous society. We seek to position ourselves as the transition partner of choice for customers.



Collective action is vital

Addressing climate change requires collective action with a range of stakeholders. This includes customers, government, investors, regulators, industry initiatives, non-government organisations and community groups.

Realising a net-zero economy will depend on all stakeholders playing their part, including governments following through on their commitments to support transition and meet the objectives of the Paris Agreement.

We believe in advocating for positive change and will continue to collaborate on initiatives that work towards net-zero and climate resilience.

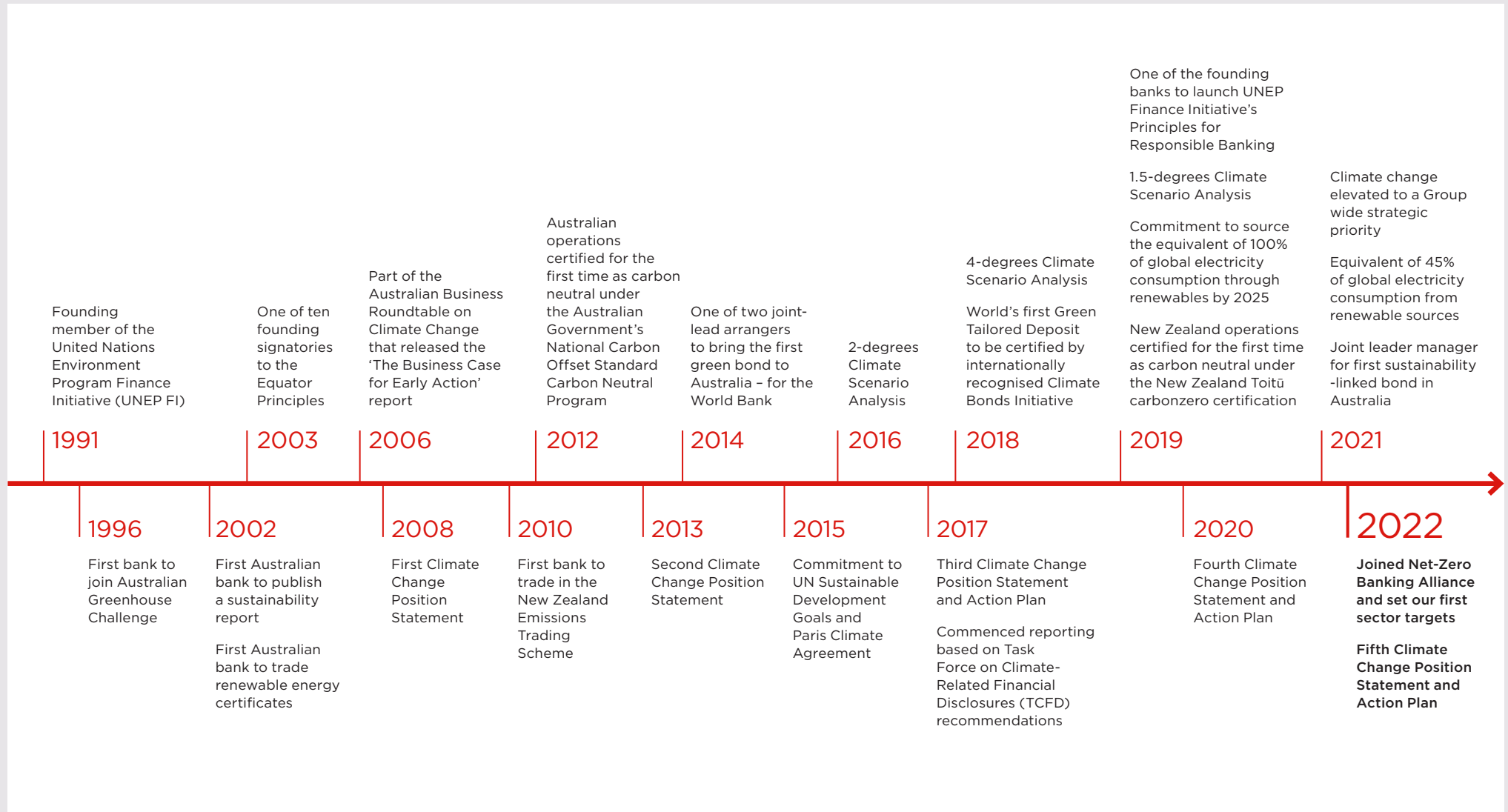


Our approach should be transparent with thorough disclosures

Accurate, timely and relevant information on climate-related risks and opportunities is key to assessing and managing the impacts of climate change.

We aim to be transparent about our approach and how we support customers to manage climate-related risks and opportunities.

A long history of action on climate change



Action 1: Net-zero, climate resilient operations

We are committed to reducing the climate change impacts of our direct operations, aligned with a 1.5°C pathway. We continue to reduce emissions from our own operations² and purchase carbon credits to offset our residual emissions.

Reducing our Scope 1 and 2 emissions

We have updated our Scope 1 and 2 operational emissions reduction targets to adjust the baseline year from 2016 to 2021, to align with our 2030 sector targets baseline. These targets are aligned with a 1.5°C pathway. To achieve our operational emissions reduction targets, we remain committed to sourcing the equivalent of 100% of our global electricity consumption from renewable sources by 2025. We also aim to transition our Australian and New Zealand vehicle fleet to 100% electric or plug-in hybrid vehicles by 2030³.

Our target for operational Scope 1 and 2 absolute emissions reduction is 64% by 2025 and 76% by 2030, relative to a 2021 baseline.

Reducing our Scope 3 supply chain (non-financed) emissions

We have updated our Scope 3 supply chain (non-financed) emissions reduction target⁴ to adjust the baseline from 2016 to 2021 and to align with a 1.5°C pathway. We manage these emissions by focusing on the most material sources. We seek to work with key suppliers to improve their emissions reduction policies and processes where appropriate in order to reduce our supply chain emissions.

Our target for Scope 3 supply chain (non-financed) absolute emissions reduction is 50% by 2030 relative to a 2021 baseline.

Offsetting our residual emissions

Our emissions management strategy is to actively reduce emissions. However, our ability to eliminate or minimise emissions from certain sources may depend on technology availability, policy development, and economic viability. Our emissions reduction efforts are therefore complemented by the purchase of carbon credits to offset our residual emissions.

Since 2012 we have maintained carbon neutral certification for our Australian operations under the Australian Government's Climate Active Carbon Neutral Standard for Organisations⁵. Since 2019 we have maintained carbon neutral certification for our New Zealand operations under the New Zealand Toitū net carbonzero certification⁶. Further information on our carbon neutral certifications can be found in our [carbon neutral disclosures](#) on our website.

Build physical resilience into our business and direct operations

We understand the physical risks of climate change may significantly affect our ability to deliver our products and services. Natural disasters and changing climate patterns have the potential to disrupt our operations by impacting our people, systems, supply chain, infrastructure and assets including branches and other property.

We are improving our assessment of physical risks resulting from climate change and strengthening controls in areas such as business continuity and property leasing. We seek to monitor these risks and are working to build our climate resilience through strategies, including diversifying critical operations across geographic locations and assessing our supply chain operational resilience for our material suppliers.

2 Includes Westpac Group direct operations in Australia, New Zealand, United Kingdom, United States, Germany, China, Singapore, Fiji and Papua New Guinea.

3 Includes plug-in hybrid electric vehicles (PHEVs) where required to serve customers in locations where electric vehicle charging infrastructure is not available. Supply chain challenges due to COVID and geopolitical developments are a recognised risk to this target at the time of setting.

4 This target is focused on upstream Scope 3 emissions associated with our supply chain. It therefore excludes downstream emissions attributable to customer loans (i.e. financed emissions). For our targets and positions related to financed emissions see section 'Supporting customers' transition to net-zero'.

5 Prior to 2019, the Australian Government's Climate Active Carbon Neutral Standard for Organisations was known as National Carbon Offset Standard Carbon Neutral Program.

6 Prior to 2022, the New Zealand Toitū net carbonzero certification was known as the New Zealand Toitū carbonzero certification.

Action 2: Supporting customers' transition to net-zero and to build their climate resilience

Supporting customers' transition to net-zero

Reduce our financed emissions

Having joined the NZBA, we are committed to aligning our lending portfolio with net-zero emissions by 2050, consistent with a 1.5°C pathway. In accordance with our NZBA commitment, we have set interim 2030 sector targets for five of our lending portfolios in the following sectors: upstream oil and gas, thermal coal mining, power generation⁷, cement production and Australian commercial real estate (large customers with office properties⁸). These targets supersede any previously stated targets and policies for these sectors. We have disclosed our approach to developing our 2030 sector targets, outlining the methodologies and approaches used to select and develop decarbonisation pathways and define target metrics for each sector⁹.

Our high-level plan to meet these targets is outlined in this document and summarised in our Action Plan. We continue to integrate and operationalise our targets into our processes and lending decisions. We will continue to engage customers in these sectors on our net-zero approach and seek to work with them to support their business through the transition.

The core elements of our 2030 targets and other sector positions include:

- Upstream oil and gas¹⁰:
 - Target: 23% reduction in Scope 1, 2 and 3¹¹ absolute financed emissions by 2030 relative to a 2021 baseline.
 - Only consider directly financing greenfield oil and gas projects that are in accordance with the International Energy Agency Net-Zero by 2050 scenario¹², or where necessary for national energy security¹³.
 - Continue to provide corporate lending where the customer has a credible transition plan¹⁴ in place by 2025 and work with customers to support their development of credible transition plans prior to 2025.

— Unconventional oil and gas:

- No project finance for oil and gas exploration in high-risk frontier basins, such as Arctic and Antarctic refuges or for oil sands development.
- No project finance for exploration of shale, offshore deep water or ultra-deep-water¹⁵ oil and gas.

— Thermal coal mining:

- Target: zero lending exposure to companies with >5% of their revenue coming directly from thermal coal mining by 2030.
- Our thermal coal mining definition aligns with the NZBA guidelines¹⁶ on the required scope of target setting for thermal coal mining.
- Transactional banking and rehabilitation bonds are excluded from our target.

⁷ In our previous targets, 'power generation' was referred to as 'electricity generation'.

⁸ Large customers with office properties refers to discrete borrowers with office properties comprising a majority of their portfolio and with commercial real estate TCE >\$75m, within Specialised Lending – Property Finance (investment only) and Corporate portfolios as defined under Pillar 3 reporting. This excludes construction finance.

⁹ For our disclosures and information on how we have applied target setting to our lending portfolios refer to our 'Net-Zero 2030 Targets and Financed Emissions – Our methodology and approach'.

¹⁰ Upstream oil and gas includes exploration, extraction and drilling companies, integrated oil and gas companies as it relates to upstream activities, and LNG producers. The scope of the target does not include midstream (e.g. processing, storing and transportation of crude oil) and downstream (e.g. refining and distribution) companies.

¹¹ Includes emissions from combustion of sold goods. As we refine the methodologies used to set targets and account for our financed emissions, we will revise definitions accordingly.

¹² The International Energy Agency Net-Zero by 2050 scenario specifies that no new (greenfield) oil and gas fields are needed beyond those projects that have already been committed (i.e. approved for development) as of 18 May 2021.

¹³ National energy security refers to circumstances where the Australian or New Zealand Government or regulator determines (or takes a formal public position) that supply from the asset being financed is necessary for national energy security.

¹⁴ A credible transition plan should be developed by reference to the best available science and should include Scope 1, 2 and 3 emissions and actions the company will take to achieve greenhouse gas reductions aligned with pathways to net-zero by 2050, or sooner, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100.

¹⁵ Deep water refers to water depths of greater than 1,000 ft (300m) but less than 5,000 ft (1,500m). Ultra-deep-water refers to water depths of greater than 5,000 ft (1,500m).

¹⁶ The NZBA guidelines require that any client with more than 5% of their revenue coming directly from thermal coal mining shall be included in the scope of targets. Accordingly, our targets cover the production and sale of thermal coal, with adjacent sectors (including mining service providers) to be covered in other targets as appropriate. The UN Environment Programme Finance Initiative's Guidelines for Climate Target Setting for Banks, April 2021 is referred to as the NZBA guidelines.

— Power generation:

- Target: portfolio financed emissions intensity of 0.10 tCO₂-e/MWh for Scope 1 and 2¹⁷ by 2030.
- No project finance to greenfield coal-fired power generation facilities.
- We will consider the intersecting requirements of emissions reduction, the feasibility of emerging technologies, as well as energy affordability, security and reliability.

— Cement production:

- Target: portfolio financed emissions intensity of 0.57 tCO₂-e/tonne of cement for Scope 1 and 2 by 2030. This target covers customers that produce clinker in-house¹⁸.

— Australian commercial real estate (large customers with office properties¹⁹):

- Target: 62% reduction in Scope 1 and 2²⁰ portfolio financed emissions intensity (kgCO₂-e/m² net lettable area) by 2030 relative to a 2021 baseline. This target covers Australian commercial real estate large customers with office properties only.

Fossil fuel value chain

Our 2030 targets address emissions-intensive aspects of the fossil fuel value chain, i.e. upstream oil and gas, thermal coal mining and power generation. In line with our NZBA commitment, in future years we will review other areas of our institutional²¹ portfolio, prioritising emissions-intensive areas and where data and methodologies allow.

Facilitated emissions

Our 2030 targets relate to the emissions associated with our lending (i.e. financed emissions). They do not cover emissions associated with transactions we facilitate (i.e. facilitated emissions), as there are currently no agreed methodologies for measuring emissions associated with these activities or approaches for net-zero-aligned target setting.

Transactions we facilitate include debt capital markets activities. This also includes underwriting, arranging and/or bookrunning for syndicated loans. These transactions are however subject to Westpac's Sustainability Risk Management Framework, including assessment and escalation where required.

We will reconsider our position on facilitated emissions as guidance and methodologies mature.



Ararat Wind Farm, Victoria

¹⁷ Refers to Scope 1 and 2 emissions of power generators, i.e. customers with material revenue coming from power generation or >5% revenues from thermal coal electricity generation. In Australia, this applies to customers with National Greenhouse and Energy Reporting Scheme designated generation facilities and have material revenue coming from power generation.

¹⁸ The target has been set for customers' Scope 1 and 2 emissions in relation to the production of cement. It covers emissions generated from calcination in clinker production as well as fuel combustion and electricity consumption associated with the cement production process.

¹⁹ Large customers with office properties refers to discrete borrowers with office properties comprising a majority of their portfolio and with commercial real estate total committed exposure >\$75m, within Specialised Lending - Property Finance (investment only) and Corporate portfolios as defined under Pillar 3 reporting. This excludes construction finance.

²⁰ Base building operational Scope 1 and 2 emissions. Target excludes all Scope 3 emissions (e.g. tenant emissions from electricity and appliance use, construction, embodied emissions and corporate activities).

²¹ Institutional portfolio relates to the Westpac Institutional Bank (WIB).

Become the transition partner of choice

As a bank, one of the most significant roles we can play in the transition to a net-zero economy is to support customers in their transition and to mobilise capital.

For institutional customers we are:

- building our capability and evolving our products and services to better meet their emerging needs;
- where applicable, supporting their transition by providing guidance on climate strategy and in the development of decarbonisation plans; and
- offering a suite of finance solutions and products to help them meet their sustainability goals including changing business models, investments in emissions reduction, low/zero carbon technologies, sustainable finance, and infrastructure.

Underpinning these actions, we aim to provide \$3.5 billion of new lending²² to climate change solutions²³ from 2020 to 2023, and \$15 billion to 2030. We are aiming to update this target in FY23 to reflect our climate priorities and our ambition to become the transition partner of choice.

We also see opportunities to further support commercial, small and medium businesses and consumers in their transition to net-zero. This includes engaging with businesses and providing access to products and services that support customers to reduce their environmental footprint and transition to a low carbon economy. It also includes helping customers to manage the range of impacts they are likely to experience from climate change.

Carbon trading

We believe reducing emissions should be a priority in achieving the transition to net-zero and setting a price for carbon is an effective way to drive the necessary reductions. Carbon offsets and credits are likely to play a role to supplement decarbonisation in line with climate science where there are limited technological or financially viable alternatives to eliminate emissions. Through our Carbon Trading Desk, we facilitate the purchase and development of accredited²⁴ offsets.

We support customers with their decarbonisation plans by facilitating access to the Renewable Energy Certificates market in Australia and carbon markets both in Australia (e.g. to Australian Carbon Credit Units) and New Zealand (New Zealand Units).

We help Emissions Trading Scheme (ETS) participants trade in the New Zealand ETS (NZ ETS), and have helped manage procurement and price risk since early 2010 via the secondary market and through the more recent introduction of the NZ ETS auction programme.

We are setting up capabilities to support producers of carbon credits by providing them with capital and risk management solutions.

To support and guide our approach we are proactively engaging with customers while participating in industry working groups to help shape the future of carbon markets. We are also a member of the Carbon Market Institute.



Green Collar Berangabah & Yallock
Human Induced Regeneration Project

²² New lending represents the total of new and increases in lending commitments, excluding refinances.

²³ Lending and investment to climate change solutions is defined as the total direct and indirect financing of customers to the extent they are a) involved in climate change solutions activities reported in total committed exposures as at 30 September; or b) undertake activities that are over and above what is considered to be business as usual in the relevant industry, and which produce a material net benefit to the environment. For further information on our definition of climate change solutions refer to the glossary of our annual climate-related disclosures.

²⁴ Accredited offsets refer to carbon offset credits that have been verified by a recognised independent party under international standards as appropriate at the time of creation of the offset. Westpac does not provide accreditation services, nor does it engage in the accreditation process.

Climate change and natural capital

The 2022 World Economic Forum Global Risk Report identifies climate action failure, extreme weather and biodiversity loss as the top three most severe risks to the global economy over the next 10 years²⁵. We recognise the interdependencies between these risks, and that their mitigation requires a comprehensive approach.

When climate conditions are destabilised, ecosystem services are disrupted and biodiversity is lost, which in turn increases concentrations of CO₂-e in the atmosphere. This creates an amplification cycle through further biodiversity loss and continuously growing concentrations of CO₂-e in the atmosphere.

Ecosystems can significantly reduce the impact of climate change, such as floods, catastrophic storms, and serious droughts, and can offset vast amounts of the world's CO₂ emissions²⁶. In line with our principles, we believe natural capital objectives are inseparable from climate change objectives, and vice versa. To limit the impacts of climate change and develop significant carbon sinks, managing and restoring natural capital stocks is required.

We continue to build our understanding of the complex interplay between climate change and natural capital to determine how best to understand and manage the positive and negative impacts of our financed projects. We are a forum member of the Taskforce on Nature-related Financial Disclosures (TNFD) which aims to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature-related risks, with the ultimate goal of supporting a shift in global financial flows towards nature-positive outcomes.

Climate change and human rights

Climate change results in both physical and transition risks and opportunities that impact employees, communities and customers. As the economy transitions to net-zero, it is important to consider the associated social impacts and human rights. Impacts may be particularly acute for those living in regions with a reliance on employment and economic activity associated with emissions-intensive sectors or engaged in global energy supply chains (for example, labour risks associated with the mining of critical minerals in higher risk geographies). The challenge is achieving a balance that considers and fairly meets these interests.

As with natural capital, we continue to build our understanding of the interrelationship between social impacts, human rights, climate change and natural capital. Our **Human Rights Position Statement and 2023 Action Plan** guides our approach. In line with the UN Guiding Principles on Business and Human Rights, we aim to:

- respect internationally recognised human rights;
- identify, prevent, mitigate and account for our adverse human rights impacts; and
- integrate human rights considerations into our business and into our business relationships.

In practice, we seek to continue to assess salient human rights impacts and support a just transition as we set net-zero targets, establishing principles to guide decision-making, engaging with customers in emissions-intensive and hard to abate sectors, and providing our bankers with ESG training.

We will also explore ways to consider climate-related risks when assessing the fairness of our products and to incorporate social considerations as we finance areas such as clean energy and agribusiness. We recognise the need to collaborate with industry, government, customers, and the community to support an orderly and inclusive transition. We are participating in several industry-led forums including through the Australian Banking Association and Australian Industry Energy Transitions Initiative.

²⁵ World Economic Forum, 'The Global Risks Report 2022 17th Edition', January 2022.

²⁶ United Nations Development Programme, 'UNDP Issues Brief on Nature-Based Climate Solutions', November 2020.

Help build climate resilience

Help customers and communities build resilience to the physical impacts of climate change

We seek to help customers and communities understand and respond to the impacts of climate change. We recognise climate change may affect their businesses, assets, communities and homes in many ways, which in turn impacts our business. We also understand the most vulnerable members of our society may be disproportionately impacted. We commenced physical risk climate scenario analysis in 2018 and continue to provide updates in our annual reporting.

Institutional and business customers

Climate change physical risks can impact the value of assets and projects we finance for customers. Climate change can also impact customer operations and supply and distribution chains. Customers' adaptation plans become increasingly important to reduce their vulnerability to physical impacts of climate change. We seek to support customers as they develop adaptation measures to build climate resilience. This also enables surrounding industries and communities to become more resilient. We seek to understand where physical risks will have a material impact across our institutional and business banking portfolio.

We support customers, including small business customers, to get back on their feet after experiencing a natural disaster event by providing access to relief packages, giving customers payment relief and time to start the repair and rebuild. In New Zealand, our Adverse Natural Events Policy provides a comprehensive range of financial assistance measures to customers impacted by natural disasters.

Agribusiness plays a fundamental role in providing food and other essential goods, driving economic prosperity and supporting livelihoods and communities. Climate change physical risks are increasingly material to agribusinesses. We recognise the ability to adapt to a changing climate is vital, not just for agribusiness customers, but for society as a whole. We seek to help customers respond to physical risks of climate change by:

- providing access to products and services that support climate adaptation and resilience;
- engaging with them to support their insights on climate adaptation measures and practices; and
- supporting customers affected by drought and natural disasters.

Consumer banking

As a major residential mortgage lender, we have a role to play in helping customers understand and respond to the impacts of climate change. In delivering products and services for customers, we seek to provide customers with information to understand and prepare for the impacts of natural disasters on their homes and communities.

We also support customers as they recover after a natural disaster event through access to hardship assistance and disaster relief packages to customers and communities affected.

We monitor our physical risks and seek to understand our risk exposure and vulnerability across our residential mortgages portfolio.



Berri Solar Farm + Battery,
South Australia

Action 3: Collaborate for impact on initiatives towards net-zero and climate resilience

Addressing climate change requires collective action and collaboration. We recognise the important role we can play by supporting and participating in international, national, and industry-based initiatives to progress collective action on climate change.

For example, we are a founding member of the UNEP FI Principles for Responsible Banking and have committed to the NZBA. Further details on our participation in industry groups is in our annual climate-related disclosures.

We also understand the governmental policy response to climate change will influence the speed of transition and climate change adaptation, the industries that will be impacted and ultimately the outcomes for society, the economy and our business. We seek to engage with government, industry and business associations and contribute to industry-wide discourse on climate change action, transition and climate resilience.

We aim to identify and collaborate with industry groups on initiatives that align with our principles and ambition to become a net-zero, climate resilient bank. We continue to review our membership of industry associations and their advocacy activity with regards to climate change in line with our Industry Association Principles²⁷.

Westpac's position on climate change policies comprises three pillars:

1. Policies need to be capable of achieving the Nationally Determined Contributions (NDCs) that represent each country's committed global emissions reduction targets in the short and medium-term and give consideration to the long-term target of reducing emissions to net-zero by 2050 without relying on carry-over credits from the Kyoto Protocol.
2. Policies should:
 - deliver a clear framework to support the development and deployment of low-emissions technology by providing certainty over a timeline sufficient to match investment horizons which are often long-term;
 - include strategies to increase resilience and promote adaptation for impacted communities, companies and sectors; and
 - incentivise increased transparency and support development and adoption of reporting frameworks to improve reliability, relevance and measurability of climate-related disclosures.
3. A broad market-based price on carbon is the most effective, affordable, flexible and equitable means of achieving emissions reductions across the economy.



Action Plan²⁸

Strategic area	Objective	Initiative / Target
1) Net-zero, climate resilient operations		
Net-zero, climate resilient operations	Reduce our direct operational emissions	– Scope 1 and 2 absolute emissions reduction target of 64% by 2025; and 76% by 2030 relative to a 2021 baseline
		– Scope 3 Supply Chain (non-financed) absolute emissions reduction target of 50% by 2030 relative to a 2021 baseline
		– Deliver the second and third phase ²⁹ of our renewables transition in line with our commitment to source the equivalent of 100% renewable electricity by 2025
		– Develop our employee benefits program to support our employees to reduce their home emissions. Target 80% of our employees to be sourcing renewable electricity for their homes by 2030
		– Transition our Australian and New Zealand vehicle fleet to 100% electric or plug-in hybrid vehicles by 2030 ³⁰
		– Support key suppliers with their emissions reduction strategies and consider supplier climate strategies in key sourcing decisions
	Build climate resilience into our business and direct operations	– Develop our approach to assessing and managing physical climate risk to our direct operational sites by 2024
2) Supporting customers' transition to net-zero and to build their climate resilience		
2A- Supporting customers' transition to net-zero	Reduce our financed emissions	Upstream oil and gas Target: 23% reduction in Scope 1, 2 and 3 absolute financed emissions by 2030 relative to a 2021 baseline – We will only consider directly financing greenfield oil and gas projects that are in accordance with the International Energy Agency Net-Zero by 2050 (IEA NZE) scenario ³¹ or where necessary for national energy security ³² – We will continue to provide corporate lending where the customer has a credible transition plan ³³ in place by 2025 and will work with our customers to support their development of credible transition plans prior to 2025
		Thermal coal mining Target: Zero lending exposure to companies with >5% of their revenue coming directly from thermal coal mining by 2030 – Manage our portfolio to reduce our lending exposure to meet the target
		Power generation Target: Emissions intensity target of 0.10 tCO ₂ -e/MWh for Scope 1 and 2 by 2030 ³⁴ – Continuously grow our renewable financing – Work with customers to support their development of emissions reduction plans

²⁸ Unless specified, we aim to implement the actions in our Action Plan by 30 September 2025.

²⁹ The second phase consists of a virtual power purchase agreement (i.e. generation exported to grid and distributed to sites through the national transmission and distribution network) with Flow Power to source renewable electricity from Ararat Wind Farm in Victoria and Berri Solar Farm + Battery in South Australia, that will deliver the 100% renewables transition for Westpac Australia. The third phase will deliver the remainder of the transition to achieve 100% for our global operations.

³⁰ Includes plug-in hybrid electric vehicles (PHEVs) where required to serve customers in locations where electric vehicle charging infrastructure is not available. Supply chain challenges due to COVID and geopolitical developments are a recognised risk to this target at the time of setting.

³¹ The IEA NZE scenario specifies that no new (greenfield) oil and gas fields are needed beyond those projects that have already been committed (i.e. approved for development) as of 18 May 2021.

³² National energy security refers to circumstances where the Australian or New Zealand Government or regulator determines (or takes a formal public position) that supply from the asset being financed is necessary for national energy security.

³³ A credible transition plan should be developed by reference to the best available science and should include Scope 1, 2 and 3 emissions and actions the company will take to achieve greenhouse gas reductions aligned with pathways to net-zero by 2050, or sooner, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100.

³⁴ Refers to Scope 1 and 2 emissions of power generators, i.e. customers with >10% revenue coming from power generation or >5% revenues from thermal coal electricity generation. In Australia, this applies to customers under ANZSIC (1993) code 3610 with National Greenhouse and Energy Reporting Scheme designated generation facilities and have >10% revenue coming from power generation.

Strategic area	Objective	Initiative / Target
		Cement production Target: Emissions intensity target of 0.57 tCO ₂ -e/tonne of cement for Scope 1 and 2 by 2030 ³⁵ – Engage with the sector on opportunities for emission reductions and development of new technologies – Work with customers to support their development of emissions reduction plans
		Australian commercial real estate – large customers with office properties ³⁷ Target: 62% reduction in Scope 1 and 2 ³⁶ emissions intensity (kgCO ₂ -e/m ² net lettable area) by 2030 relative to a 2021 baseline for the Australian large customers with office properties lending portfolio – Work with customers to support their development of emissions reduction plans
		– Develop and implement a framework to assess, engage, measure and monitor transition plans of institutional and business customers; prioritising sectors covered by our 2030 targets
		– Develop net-zero aligned targets for other sectors in our lending portfolio (including agriculture, aluminium, residential real estate, iron and steel, and transport) by July 2025, prioritising high-emissions intensive activities where data and methodologies allow
		– Monitor and understand applicability of methodologies for measuring and setting targets for facilitated emissions within 12 months of industry standards bodies e.g. PCAF, releasing finalised accounting standards for capital market instruments
	Become the transition partner of choice	– Develop and provide financial products and services to support adoption of net-zero enabling technologies and transition opportunities for institutional, business and consumer banking customers
		– Provide \$3.5 billion of new lending ³⁸ to climate change solutions ³⁹ from 2020 to 2023, and \$15 billion to 2030
		– Develop Westpac’s sustainable finance taxonomy and announce new sustainable financing targets in FY23
		– Expand our carbon trading services, by: <ul style="list-style-type: none"> • building our domestic distribution network; and • providing customers with access to a broader range of offsets including accredited offshore credit units
		– Engage with customers, where relevant, to understand how they will manage just transition risks
		– Develop an integrated digital approach to support consumer banking customers access suite of transition products

³⁵ This target covers customers that produce clinker in-house. The target has been set for customers’ Scope 1 and 2 emissions in relation to the production of cement. It covers emissions generated from calcination in clinker production as well as fuel combustion and electricity consumption associated with the cement production process.

³⁶ Base building operational Scope 1 and 2 emissions. Target excludes all Scope 3 emissions (e.g. tenant emissions from electricity and appliance use, construction, embodied emissions and corporate activities).

³⁷ Large customers with office properties refers to discrete borrowers with office properties comprising a majority of their portfolio and with commercial real estate total committed exposure >\$75m, within Specialised Lending – Property Finance (investment only) and Corporate portfolios as defined under Pillar 3 reporting. This excludes construction finance.

³⁸ New lending represents the total of new and increases in lending commitments, excluding refinances.

³⁹ Lending and investment to climate change solutions is defined as the total direct and indirect financing of customers to the extent they are a) Involved in climate change solutions activities reported in total committed exposures as at 30 September; or b) Undertake activities that are over and above what is considered to be business as usual in the relevant industry, and which produce a material net benefit to the environment. For further information on our definition of climate change solutions refer to the glossary of our annual climate-related disclosures.

Strategic area	Objective	Initiative / Target	
2B - Help build climate resilience and enable adaptation	Help customers and communities build resilience to the physical impacts of climate change	Institutional and business customers	– Identify material risk sectors in our portfolio to build our understanding of customer climate vulnerability and adaptation opportunities
			– Work with agribusiness customers to identify opportunities for climate adaptation
		Consumer banking	– Develop strategic approach to supporting customers in locations more likely to be impacted by physical risk
			– Develop products and services that support climate resilience home improvements, and provide insights to increase awareness of physical risk impacts
3) Collaborate for impact on initiatives towards net-zero and climate resilience			
Collaborate for impact	Collaborate with stakeholders	– Work with governments, industry organisations and/or community partners to improve outcomes to transition to net-zero and build climate resilience	
		– Work with government, industry groups, trade associations and/or NGOs to develop a framework for assessing sector-level transition plans prioritising relevant sectors covered by our 2030 targets	
	Support our communities	– Provide information to the community on transition opportunities	
		– Build our understanding of climate change physical impacts on communities to inform how we can better support communities	
Strengthening our approach to climate change - our foundations			
Strengthening our approach to climate change	Manage climate related risks	– Continue to incorporate climate risk into risk management, finance and governance processes in line with APRA's Prudential Practice Guide CPG229 Climate Change Financial Risks, TCFD, New Zealand's mandatory climate risk disclosure regime developed by the External Reporting Board and other disclosure frameworks where applicable	
	Build our capabilities	– Continue to develop and implement training for our people on net-zero transition and climate resilience (including tools and processes) as relevant to their roles	
		– Continue to build our data management and reporting capabilities to strengthen monitoring and progress reporting against our targets and actions	

Disclaimer

The information in this document is not intended that it be relied upon as advice to investors or potential investors, who should be seeking independent professional advice depending on their specific investment objectives, financial situation or particular needs. The material contained in this document may include information, including, without limitation, methodologies, modelling, scenarios, reports, benchmarks, standards, tools, metrics and data, derived from publicly available or government or industry sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information.

This document contains statements that constitute “forward-looking statements” within the meaning of Section 21E of the US Securities Exchange Act of 1934. Forward-looking statements are statements about matters that are not historical facts. Forward-looking statements and metrics appear in a number of places in this document and include statements regarding our current intent, belief or expectations with respect to our business and operations, macro and micro economic and market conditions, results of operations and financial condition, capital adequacy and risk management, including without limitation, climate change, net-zero, climate resilience, natural capital, financed emissions, emissions intensity and other sustainability related statements, commitments and targets, projections, scenarios, pathways, risk and opportunity assessments, forecasts and metrics, indicative drivers, estimated emissions and other proxy data. Forward-looking statements may also be made by members of Westpac’s management or board (verbally or in writing) in connection with this document. Such statements are subject to the same limitations, uncertainties, assumptions and disclaimers in this document.

We use words such as ‘will’, ‘may’, ‘expect’, ‘indicative’, ‘intend’, ‘seek’, ‘would’, ‘should’, ‘could’, ‘continue’, ‘anticipate’, ‘believe’, ‘probability’, ‘risk’, ‘aim’, ‘target’, ‘plan’, ‘estimate’, ‘outlook’, ‘forecast’, ‘goal’, ‘guidance’, ‘ambition’, ‘assumption’, ‘projection’, or other similar words that convey the prospective nature of events or outcomes and generally indicate forward-looking statements. These forward-looking statements reflect our current best estimates, judgements, assumptions and views as at the date of this document with respect to future events and are subject to change, certain known and unknown risks and uncertainties and assumptions and other factors which are, in many instances, beyond the control of Westpac, its officers, employees, agents and advisors, and have been made based upon management’s current expectations, understandings or beliefs concerning future developments and their potential effect upon us. In particular, the science, data, metrics, methodologies, standards, guidance and reporting relating to climate and sustainability are rapidly evolving and maturing, including variations in approaches and common standards in estimating and calculating emissions and uncertainties around future climate- and sustainability-related policy and legislation. There are inherent limits in the current scientific understanding of climate change and its impacts. There can be no assurance that future developments or performance will be in accordance with our expectations or that the effect of future developments on us will be those anticipated. There is a risk that the best estimates, judgements, assumptions, views, models, scenarios, projections used may subsequently turn out to be incorrect. Actual results, performance, conditions, circumstances or the ability to meet commitments and targets could differ materially from those we expect or are expressed or implied in such statements. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and their differences may be material. Factors that may impact on the forward-looking statements made include, but are not limited to, those described in this document and in the section titled ‘Risk factors’ in Westpac’s 2022 Annual Report available at www.westpac.com.au. Westpac will continue to review and develop our approach to ESG as this subject area matures. Investors should not place undue reliance on forward-looking statements and statements of expectation, including targets, particularly in light of the current economic climate and the significant global volatility. These statements are not guarantees or predictions of future performance and Westpac gives no representation, warranty or assurance (including as to the quality, accuracy or completeness of this document), nor guarantee that the occurrence of the events expressed or implied in any forward-looking statement will occur. When relying on forward-looking statements to make decisions with respect to us, investors and others should carefully consider such factors and other uncertainties and events, and the judgments and data presented in this document are not a substitute for investors and other readers’ own independent judgements and analysis. Investors and others should also exercise independent judgement, with the advice of professional advisers as necessary, regarding the risks and consequences of any matter contained in this document. Except as required by law, we assume no obligation to update any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, after the date of this document.

Acknowledgement of Country and Traditional Owners

Westpac acknowledges the First Peoples of Australia and recognises their ongoing role as Traditional Owners of the land and waters of this country. We acknowledge Westpac's Aboriginal and Torres Strait Islander employees, partners, and stakeholders, and pay our respects to their Elders, both past and present.

Contact

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