

Westpac Green Bond Framework

 **Westpac** GROUP

Westpac Banking Corporation ABN 33 007141

Introduction



The Green Bond Framework

The Green Bond Framework (the 'Framework') set out in this document details Westpac Banking Corporation's ('Westpac') approach to Green Funding Instruments ('Green Bonds'). The respective instruments will meet the Climate Bonds Standard V3.0, which incorporates the International Capital Market Association ('ICMA') Green Bond Principles ('GBP') (2018).

Westpac's Green Bond Framework has programmatic certification from the Climate Bonds Initiative ('CBI'), applying to all current and future issuances of Westpac Green Bonds. The document also gives an overview of Westpac's sustainability priorities and commitments. For further details on our current targets and performance, please refer to the latest Sustainability Performance Report.

<https://www.westpac.com.au/about-westpac/sustainability>

Introduction

Our Strategy and Purpose

Westpac Group's purpose is Helping Australians Succeed. It's what we do, who we are and why we come to work every day. What's most important to us is understanding what success means to our customers and helping them get there.

Our Sustainability Priorities

Our 2021-2023 Sustainability Strategy sets out how we can best serve customers, communities and nation, and contribute to solving global challenges. Our Strategy is centred around helping Australians succeed, with three key priority areas.

Our Purpose Helping Australians Succeed		
Sustainability Priorities	What	How
 Helping when it matters most Local Perspective	Help individuals and businesses build strong financial futures and navigate times of change, providing extra support for customers experiencing hardship. <i>This is about helping at a personal, local level.</i>	<ul style="list-style-type: none"> Supporting customers and businesses through times of change and hardship Supporting financial wellbeing
 Backing a stronger Australia National Perspective	Help support the social, economic and environmental wellbeing of our nation to build a stronger Australia. <i>This is about contributing to the success of our nation.</i>	<ul style="list-style-type: none"> Backing people, jobs and ideas shaping Australia's future Helping Australians respond to climate change
 Collaborating for impact Global Perspective	Finance has a central role to play in addressing the biggest challenges facing our world. We want to play our part - by learning from our partners, sharing our experiences and collaborating to find solutions. <i>This is about collaborating to help solve global problems.</i>	<ul style="list-style-type: none"> Respecting human rights and amplifying Indigenous voices Supporting the transition to a climate resilient future

Our Commitment to Action on Climate Change

Westpac recognises that climate change is one of the most significant issues that will impact the long-term prosperity of the global economy and our way of life. We are committed to managing our business in alignment with the Paris Agreement and the need to transition to a net zero emissions economy by 2050. This includes how we provide financial services, support communities, operate our facilities, engage on matters of policy, and contribute to industry initiatives.

[Westpac's fourth Climate Change Position Statement and Action Plan¹](#) builds on our strong track record and sets out our action plan through to 2023 to meet our commitment to the Paris Agreement.

Our Principles



A transition to a **net zero** emissions economy is required **by 2050**.



Economic growth and emissions reductions are **complementary goals**.



Addressing climate change creates **opportunities**.



Climate-related risk is a **financial risk**.



Collective action, transparency and disclosure matter.

Our Actions



Help customers and communities respond to climate change.

- Aim to provide \$3.5 billion of new lending to climate change solutions over the three years to 2023.
- Ensure our financing of the electricity generation sector supports Paris-aligned transition pathways to a net zero emissions economy by 2050.
- Support existing thermal coal customers while committing to reduce our thermal coal exposure to zero by 2030.

- Advance our Paris-aligned financing strategies and portfolio targets, with annual updates.
- Provide access to products and services that help customers to reduce energy consumption and improve the resilience of their businesses and homes.
- Help communities become more resilient to climate change and transition to a low carbon economy.



Improve the climate change performance of our operations.

- Target emissions reductions for our own operations in alignment with a science-based trajectory.
- Source the equivalent of 100% of our global electricity consumption through renewable sources by 2025.



Support initiatives and policies to achieve the goals of the Paris Agreement.

- Support policy outcomes aligned to net zero emissions by 2050.

1. Climate Change Position Statement and 2023 Action Plan: <https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/WBC-climate-change-position-statement-2023.pdf>

Green Bond Framework

Overview

The issuance of Green Bonds aims to contribute to the key role that debt markets can play in funding assets that contribute to global environmental challenges. This Framework sets out the governance and processes which support the issuance of Green Bonds by Westpac.

Green Bonds aim to provide finance that:

- Backs climate change solutions
- Promotes the transition to a net zero emissions economy
- Accelerates the reduction in CO₂ emissions
- Mitigates other environmental challenges²

Westpac can utilise the following Green Funding Instruments to issue under this Framework:

- Unsecured bonds (senior and subordinated)
- Covered bonds
- Asset-backed or residential mortgage-backed securities
- Commercial paper and other liabilities

This Framework aligns with the four core components and key recommendations of the ICMA GBPs

- I. Use of Proceeds
- II. Asset Evaluation and Selection
- III. Management of Proceeds
- IV. Reporting and Disclosures

This Framework and eligibility criteria will be reviewed and updated periodically, as and when required.

I. Use of Proceeds

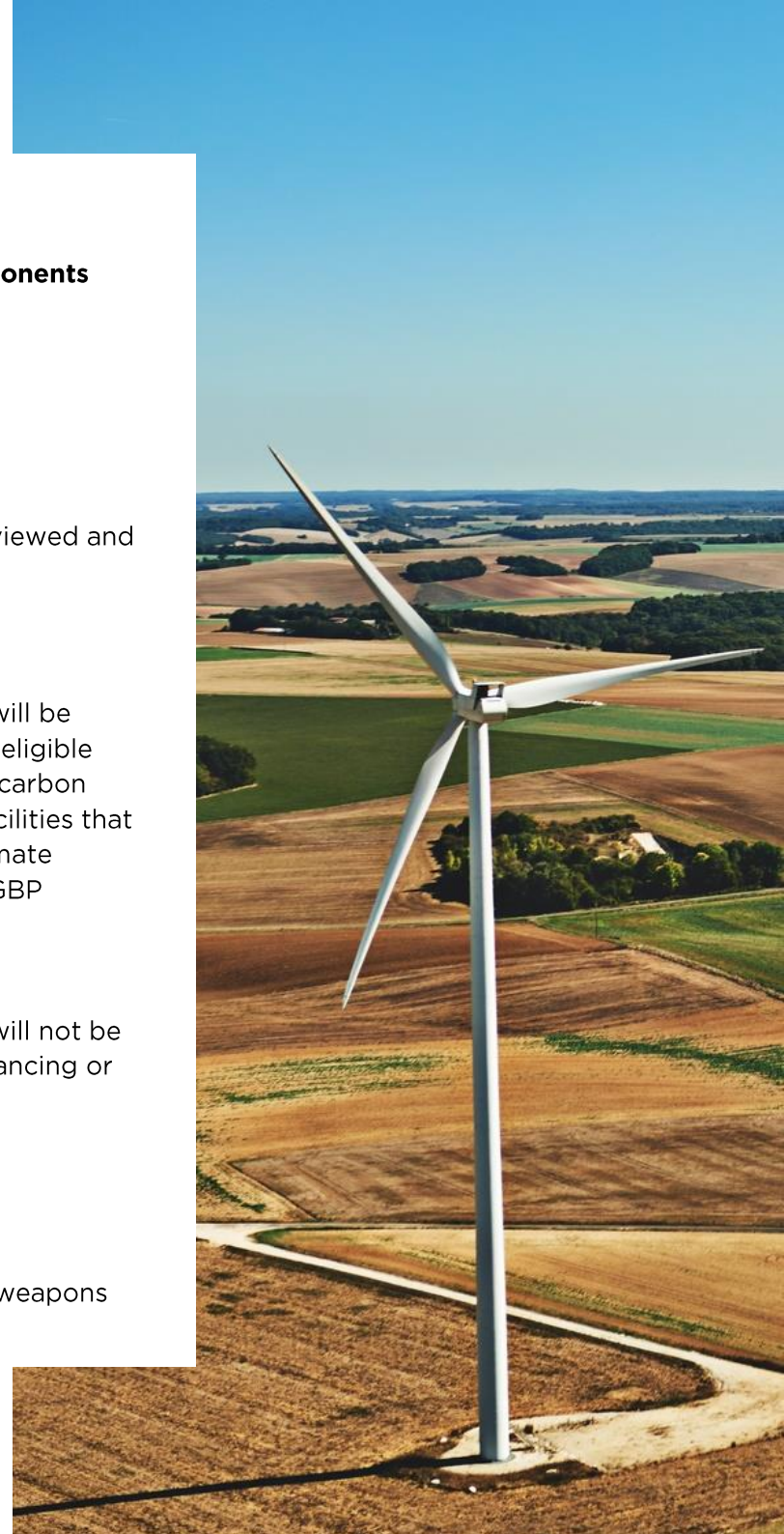
The net proceeds raised under this Framework will be used to finance or refinance, in whole or in part, eligible assets which contribute to the delivery of a low carbon economy, including project and asset finance facilities that meet the Sector Eligibility Criteria under the Climate Bonds Standard V3.0. These are aligned to the GBP categories set out on page 6³.

Excluded assets

The net proceeds raised under this Framework will not be allocated to assets where the purpose of the financing or refinancing has been assessed to include:








- Fossil fuels
- Mining
- Tobacco
- Gambling
- Defence, including controversial and nuclear weapons

2. The issuance of any Green Bonds under this Framework will meet the CBI Standard V3.0 and CBI Sector Eligibility Criteria. The GBP 2018 are fully integrated into the CBI Standard V3.0. 3. The GBP categories and eligibility criteria detailed on page 6 are not exhaustive and therefore, where we evaluate and identify eligible assets that meet the CBI Standard V3.0, these may be included in the use of proceeds of a Green Bonds transaction.



Green Bond Framework

Green Bond Principles and United Nations Sustainable Development Goal Alignment

SDG Alignment	Eligibility Criteria
 Renewable energy and energy efficiency	
 	<ul style="list-style-type: none"> Construction, operation, and maintenance of renewable energy including solar, wind and hydropower⁵. Construction, operation and maintenance of transmission lines, smart grids and energy storage systems and facilities.
 Clean transportation	
	<ul style="list-style-type: none"> Construction, operation and maintenance of clean transportation infrastructure and assets including public transportation rolling stock (light passenger rail and electrified buses), networks and stations. Improvements, upgrades and expansion of clean transportation infrastructure.
 Green buildings	
	<ul style="list-style-type: none"> Construction or operation of energy efficient commercial buildings with minimum 5-star NABERS rating or equivalent under other national or international energy performance rating agency⁶. Retrofit and renovation of commercial buildings with the purpose of improved energy efficiency (e.g. LED lighting, thermal insulation, heating, and cooling systems) that result in at least 30% energy efficiency savings. Construction of new or refurbished residential properties that meet the Climate Bonds Standard criteria for Australian low carbon residential buildings.⁷

SDG Alignment	Eligibility Criteria
 Sustainable water and waste water management	
  	<ul style="list-style-type: none"> Construction, operation, and maintenance of sustainable water treatment infrastructure including clean drinking water and waste treatment systems. Activities which improve water quality, distribution efficiency and conservation including engineered water infrastructure for flood defence and drought resilience.
 Pollution prevention & control	
 	<ul style="list-style-type: none"> Construction, operation and maintenance of sustainable waste management and prevention including recycling for metals, plastic and paper or composting, source reduction and treatment to divert waste from landfill.
 Environmentally sustainable management of living natural resources and land use	
	<ul style="list-style-type: none"> Management and operation of plantation and natural forests as certified under the Forest Stewardship Council (FSC) framework. Production facilities incorporating efficient pulping processes.

5. Limited to maximum capacity of 25MW. 6. For green bond certification requirement under the CBI Standard, the requirement is for the building to be below the city emissions performance benchmark. This emission footprint baseline of the city represents the top 15% for carbon intensity (kgCO₂-e/m²). 7. The residential buildings criteria leverage local building codes and energy ratings/labels as a proxy for the carbon emissions performance of the top 15% of residential buildings in a city.



Green Bond Framework

II. Process for Asset Evaluation and Selection

Westpac’s sustainable finance governance structure for the evaluation, selection and management of assets under this Framework includes:




The Sustainable Bonds Committee (‘SBC’) which is responsible for assuring the ongoing governance and good management of assets and Green Bonds transactions relating to this Framework, including the oversight of annual assurance, and reviewing and approving the impact report. It comprises representatives from Group Treasury, Sustainable Finance and Compliance.

The Sustainable Finance Working Group (‘SFWG’) which is responsible for identifying and evaluating assets for eligibility under this Framework, managing the various pools of assets, managing assurance reviews, and reporting requirements. It comprises representatives from Sustainable Finance, Group Treasury, and business sector analysts.

Task	Description	Responsible
 <p>Environmental Financing/Refinancing</p>	Financing or refinancing of assets is screened against environmental and governance risks, as well as Westpac position statements. Equator Principles (EP4) are also applied to project finance assessments.	Credit officers, deal team and sustainability specialists.
 <p>Eligible Asset Evaluation</p>	Prospective eligible assets are identified and evaluated against the Eligibility Criteria and the relevant standards.	SFWG and relevant representatives from business areas.

III. Management of Proceeds

The net proceeds are managed by the SFWG and SBC to ensure ongoing review and management of the Green Bonds asset pool and allocation of net proceeds.

Task	Description	Responsible
 <p>Tracking of Proceeds</p>	Each Green Bonds transaction is flagged and booked within a unique portfolio. Each asset is tracked and reported against eligible categories and assigned to the Green Bonds asset pool.	SFWG
 <p>Allocation of Proceeds</p>	Westpac aims to fully allocate the net proceeds within 24 months of bond issuance. Where the Green Bonds transaction is shorter, the aim is to allocate within the time frame the instrument is outstanding. Any unallocated net proceeds will be held in temporary investment instruments that are cash or cash equivalent instruments.	SBC
 <p>Pool Management</p>	The SFWG meets at least quarterly to manage the pool of assets. These assets are reported to the SBC to manage pool capacity for planned transactions. Assets will be added, removed, or substituted if they no longer meet the requirements of this Framework.	SFWG SBC

Green Bond Framework

IV. Reporting and Disclosures

Westpac will publish an Impact Report annually, which includes at least the following information:

1. Pool identification and allocation to green categories. Where possible, the list of green assets will be disclosed (either individually or in aggregate).
2. Total Green Bonds outstanding and pool capacity.
3. The net proceeds of Green Bonds which are unallocated.
4. Relevant expected or actual environmental impact metrics, with the aim to align with relevant indicators suggested in the ICMA Harmonized Framework for Impact Reporting, where possible.



External Reviews and Certifications



I. CBI Programmatic Certification

Westpac has CBI programmatic certification for its Green Bonds Framework and will seek such certification for future Green Bonds under this Framework.




II. Post-issuance External Verification

On an annual basis, an external auditor will verify the tracking and allocation of the net proceeds raised under this Framework; that the projects and assets conform with the Sector Eligibility Criteria; and provide a third-party assurance.

We recognise the importance of transparency of reporting and disclosure under this Framework and will make the impact report, external reviews, and certifications available on our investor website.

Appendix

Examples of Relevant Impact Metrics

GBP Category	Impact Metrics
 Renewable energy and energy efficiency	<ul style="list-style-type: none"> Annual renewable energy generation in MWh/GWh. Annual GHG emissions reduced/avoided (tCO₂-e).
 Clean transportation	<ul style="list-style-type: none"> Annual GHG emissions reduced/avoided (tCO₂-e) (per km travelled – benchmarked against average CO₂ emission vehicle). Number of passengers carried per annum. New clean infrastructure built (kms).
 Green buildings	<ul style="list-style-type: none"> Annual GHG emissions reduced/avoided (tCO₂-e). Energy consumption kWh/m² per annum and % energy use reduced/avoided vs local baseline/building code. Floorspace/occupancy of green real estate (m²). Average portfolio GHG Intensity against 15% city benchmark.

GBP Category	Impact Metrics
 Sustainable water and wastewater management	<ul style="list-style-type: none"> Volume of water saved/reduced/treated (m³). Total population served by the system. GHG emissions for engineered water treatment infrastructure.
 Pollution prevention & control	<ul style="list-style-type: none"> Annual gross amount of waste that is separated that are recycled and/or treated (tonnes per annum or % of total waste). Tons of waste, secondary raw materials or compost produced. Capacity of recycling waste diverted from landfill (tonnes per annum).
 Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> FSC Certified forestry under management (Ha). Production of wood, wood fibre and pulp (tonnes per annum) Number of new seedlings planted (per annum). Conversion between harvested vs. newly planted seedlings. Seedling survival rate (%).

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