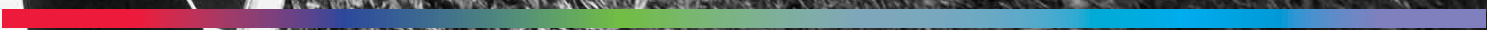
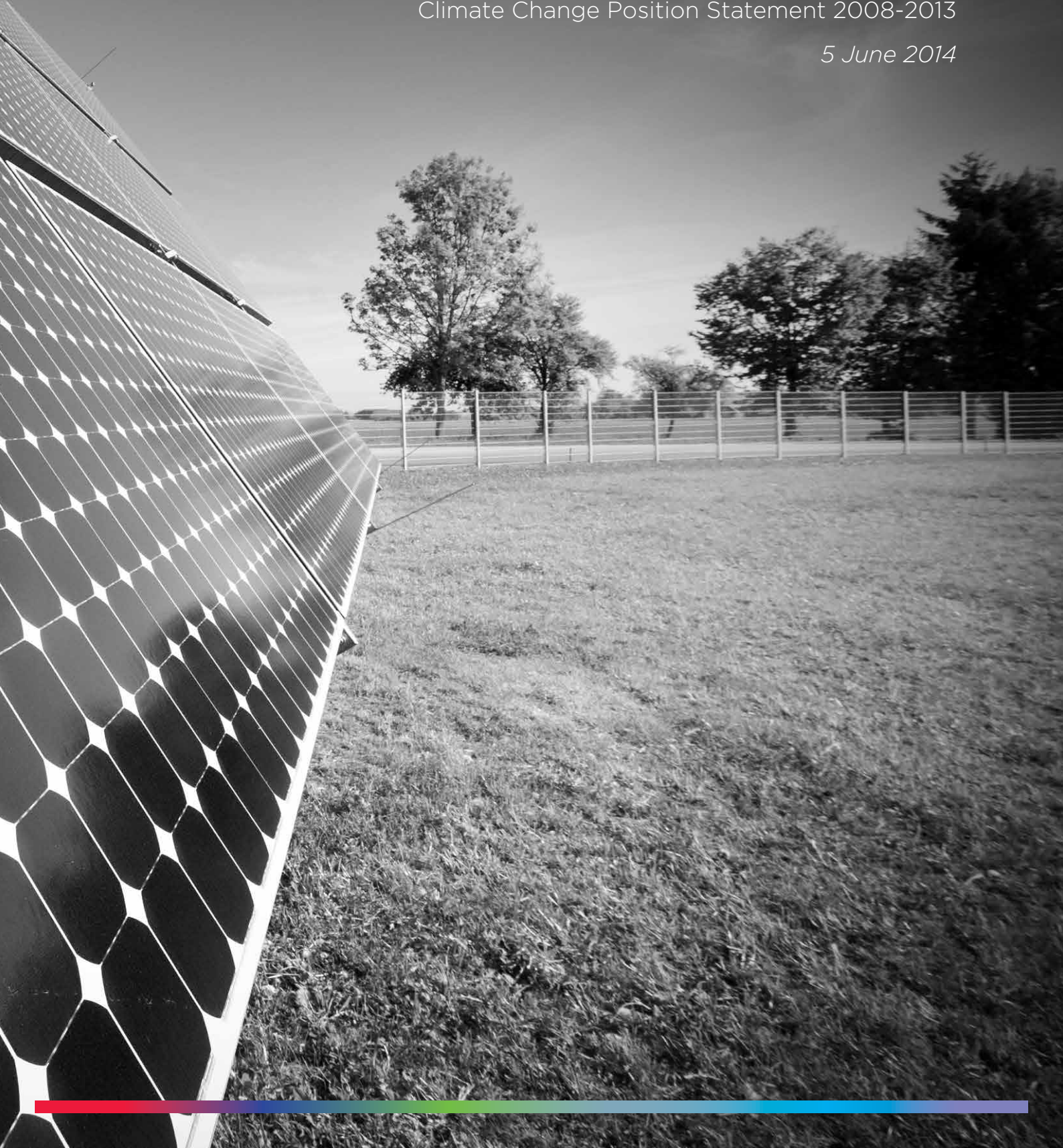


FINANCING THE TRANSITION TO A LOW CARBON ECONOMY: OUR CLIMATE JOURNEY

A report on progress against Westpac's
Climate Change Position Statement 2008-2013


5 June 2014



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AS A FINANCIAL INSTITUTION WITH RELATIONSHIPS RIGHT ACROSS THE COMMUNITY, WESTPAC HAS LONG RECOGNISED THAT WE HAVE AN IMPORTANT ROLE TO PLAY IN SUPPORTING THE TRANSITION TO A CLEAN ECONOMY.

This report represents an important milestone, as we pause to reflect on what we have achieved over the past five years, and some of the lessons learnt along the way.

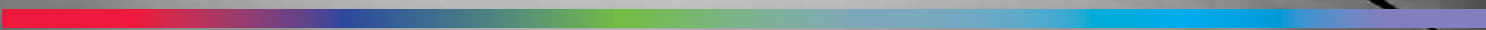
These insights will form the basis of our next position statement and strategy as we continue to develop our thinking and our business response to climate change and related resource constraints.

There is no doubt that climate change is a complex agenda and one that continues to grow and expand. But it is our view that this is a journey. A necessary journey. And one which Westpac has been on for more than 20 years, learning as we go and leading the way across our industry.

We look forward to your feedback and welcome your ideas on the ways in which we can continue to support our customers, employees and the community to respond to one of the defining issues of our time.

Contact us at sustainability@westpac.com.au

PART ONE:
REFLECTING
ON OUR
POSITION



INTRODUCTION

AS ONE OF AUSTRALIA'S LARGEST CORPORATIONS, WITH SIGNIFICANT INFRASTRUCTURE AND AROUND 36,000 EMPLOYEES, WE CLEARLY HAVE A RESPONSIBILITY TO REDUCE OUR OWN ENVIRONMENTAL FOOTPRINT. THE BUSINESS BENEFITS IN REDUCING COSTS AND DRIVING GREATER EFFICIENCIES ARE WELL KNOWN. IT IS ALSO WHAT IS EXPECTED BY OUR PEOPLE WHO LOOK TO WORK FOR A HIGH PERFORMING COMPANY WITH A STRONG SOCIAL LICENCE TO OPERATE.

But Westpac's ability to engage and influence extends right across our business to the conversations we have every day with our customers about how they see climate change impacting their business, operating markets and the long term health of the community.

So in 2008, we published Westpac's 'Climate Change Position Statement: Financing the Transition to a Low Carbon Economy'. This detailed our position on the big issues for climate change and contained the framework for a five-year strategic roadmap on how we were going to respond as a business.

This progress report sets out our achievements against that Position Statement, including the commitments we took, or didn't take, over the period 2008 to 2013. It also captures the lessons we learnt along the way that have been important in strengthening our understanding and which now form the basis of our thinking out to 2017 and beyond.

WHAT HAVE WE ACHIEVED?

When we launched our 2008 Climate Change Position Statement, we were hoping to accomplish two things. First, we wanted to record publicly our perspective on the science, politics, economic and social impacts of climate change, and be completely transparent about what we saw as the role of the finance sector in responding. Second, we committed to five key areas of focus to guide our activities for the period 2008-2013.

Although 2008 might not seem that long ago, it is important to remember that few banks at the time had a public position on what they saw as the big impacts of climate change or their role in responding to them. Acknowledgement of the scientific and economic realities with a clear view on how a financial institution should respond is key to maintaining a balanced and consistent approach in a fast moving environment.

By publishing an Action Plan for the period 2008-2013, we were also able to set out a roadmap to prioritise our response from a practical perspective, including commitments for which we could be held accountable.

From the establishment of extensive risk management frameworks to the development of new products and services, a huge amount of work has been undertaken across the Westpac Group. We have sought to capture some of the main achievements in the second half of this progress report, setting out the major policies, processes, products and community and employee initiatives undertaken over the last five years.

WHAT HAVE WE LEARNT?

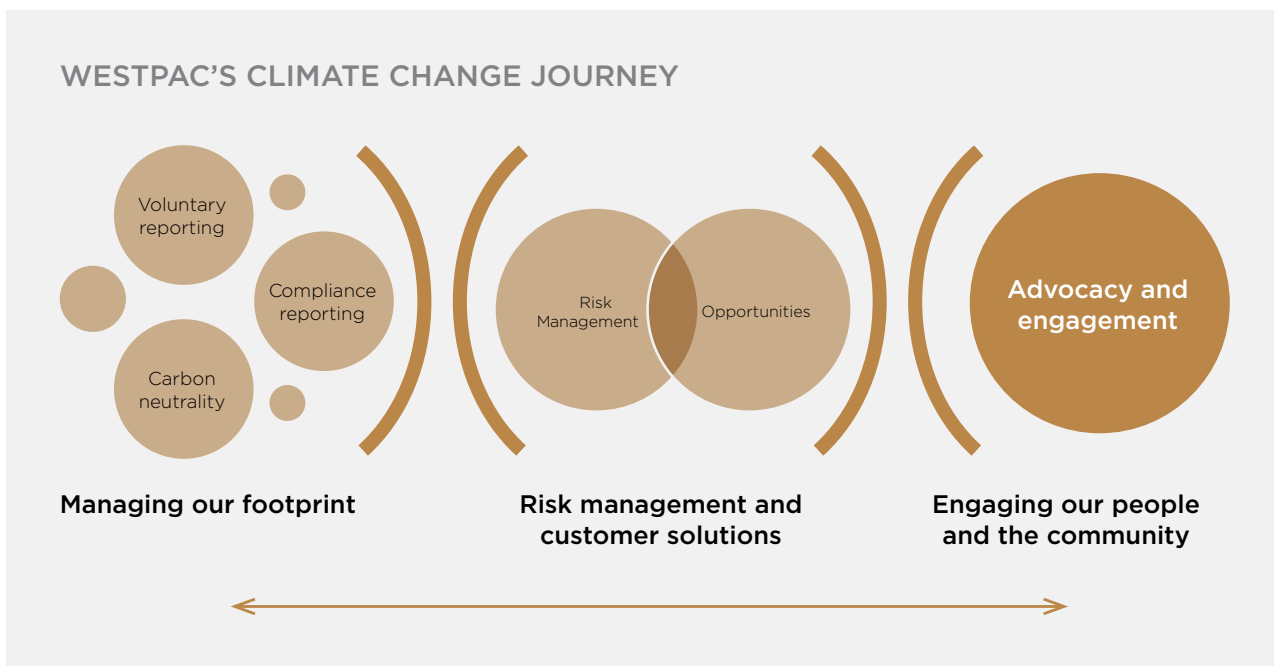
First, it takes time to get things right. This is still, to a great extent, an emerging area. While the science may be decades old, as a society we are still coming to grips with the business and market impacts. The foundations of sudden change frequently lie in careful planning, executed over time. Today's technological solutions are the result of yesterday's foresight. Tomorrow's climate will be determined by the decisions we make today. All of which means taking the time to get the basics right is critical.

Second, we found that with a topic as complex as climate change, framing the problem and sticking to a well thought through position provides clarity and direction. Over the last five years we have seen the highs and lows of the economic cycle with the advent of the global financial crisis. Community sentiment has waxed and waned on how we should be prioritising our response to climate change. Public policy discussions have moved from debating the science to debating the response. Throughout all of this, having a clear and consistent position to draw on has been crucial.

At the same time, it became increasingly clear that looking at climate change in isolation is problematic. It is difficult to look at issues of carbon mitigation, without also addressing questions of energy affordability, water scarcity, food security or land management. Genuine progress is absolutely dependent upon understanding the interrelationships between economic development and environmental impact. And if the response is not embedded deeply within the business it is hard to maintain real traction. These seemingly competing tensions have to be reconciled to create sustainable change.

Finally, we found that managing risk opens up new opportunities. Innovation often happens when you least expect it. By working with our customers to better understand how they are managing carbon risk, we also identified new ways to create shared value. In both managing risk and financing the delivery of new solutions, we gained a deeper understanding of the important role Westpac has to play in facilitating the transition to a cleaner, more efficient and more productive economy.

This progress report seeks to capture the essence of what we have accomplished over the past five years and what we have learnt along the way. It will form the basis of our thinking as we look to the next phase of our journey. Climate change is a multigenerational problem in both cause and effect. But as Australia's oldest company on the eve of celebrating 200 years of operation, we know from experience that great achievements are often realised by those who understand the importance of learning by doing.



LOOKING AHEAD

We are proud of the achievements that we have made during the past five years across all areas of our climate change action plan. In particular we believe that publication of the Climate Change Position Statement in 2008 showed strong leadership at the time.

We have continued to build our approach by deepening our understanding of climate change risks, engaging with stakeholders, actively participating in the public policy debate, developing innovative responses to help our customers, and holding firm in our underlying beliefs – even in the context of regulatory uncertainty and political change.

We also recognise that there is still much to do. Over the last five years, the scientific understanding on the impacts of climate change has evolved further, while dialogue at an international level has also progressed. There is now broad acceptance of the need to limit average global temperature rises to two degrees Celsius above pre-industrial levels to avoid the worst impacts of climate change. International discussions are increasingly focused on the right mechanisms to mobilise finance towards climate change mitigation and adaptation and the banking sector as a whole, including within Australia, has evolved in its response to these important issues.

We recognise the importance of continuing to develop and innovate in our approach to climate change to show leadership, respond to the needs and expectations of our stakeholders and to align with our overall vision of helping our customers, communities and people to prosper and grow.

This progress report, the lessons learnt and actions we have taken to date, will form the basis of our thinking as we look to the next phase of our journey covering the period 2014-2017.



PART TWO: REPORTING PROGRESS AGAINST OUR 2008 – 2013 ACTION PLAN

In our Climate Change Position Statement we set our 2008-2013 Action Plan, supported by a number of specific commitments.

SUMMARY OF PERFORMANCE AGAINST OUR ACTION PLAN

WHAT WE COMMITTED TO	HOW WE DID	MORE INFORMATION
1. Manage climate risks and build capacity across our business	✓	Page 8
2. Develop products and services that drive positive environmental outcomes	✓	Page 10
3. Engage employees around climate change issues and impacts	●	Page 12
4. Communicate and advocate within the wider community	✓	Page 14
5. Minimise our direct environmental footprint	●	Page 16

Legend: ✓ Achieved ● Partially achieved ✗ Not achieved

1. MANAGE CLIMATE RISKS AND BUILD CAPACITY ACROSS OUR BUSINESS

What we committed to do

- Implement an Environment, Social and Governance (ESG) risk framework which explicitly incorporates climate change as a key consideration.
- Commission research to examine carbon exposure and risks embedded within investment and lending across the bank.
- Ensure consideration of climate and related environmental risks is embedded within ongoing sectoral, country and company analysis.
- Provide tailored climate change and carbon risk training to key personnel across the Group and embed awareness of climate impacts in Board and executive leadership training and development.

What we did

The need to increase awareness, build capacity and embed carbon risk management into 'business as usual' policies and processes was identified as an early priority. In early 2008, a Carbon Risk Committee was established within Westpac Institutional Bank (WIB), an area of the business significantly impacted by carbon risk. This Committee coordinated a program of work focused on carbon risk training, customer engagement, high risk identification and credit policy and process. We define carbon risk as including regulatory risk, market risk and physical risk dimensions.

Key initiatives included:

- Independent carbon risk training was rolled out to an initial group of 350 people across WIB in 2009. A second round of training was delivered to 1800 people across the business from 2010 onwards. Risk training was delivered to the WIB Executive Team, Westpac Group Executive Team and the full Westpac Board to strengthen governance and oversight.
- A Customer Engagement Toolkit was developed to help Relationship Managers engage with their customers to identify potential risks and opportunities.
- A comprehensive portfolio and customer analysis was undertaken to assess carbon price risk implications for significantly impacted business customers. The results were reported to the full Westpac Board, and informed further customer engagement.
- Carbon risk was incorporated into credit risk assessment procedures at a country, industry sector, customer and transactional level.

This work was undertaken alongside the implementation of a comprehensive ESG Risk Management Framework, incorporating ESG Credit Risk Policy and a suite of position statements to manage specific environment and social considerations for sensitive issues or industry sectors. Separate training sessions were conducted for risk and credit managers on broader ESG risk issues and impacts.



STAKEHOLDER PERSPECTIVE

“As members of the Investor Group on Climate Change, Westpac’s BT Financial Group and funds manager BT Investment Management have played an important part in advancing market and investor understanding of carbon risk.”

***– Nathan Fabian,
Chief Executive, Investor Group on Climate Change***

Within BT Financial Group's wealth management division, ESG factors were also embedded into the investment process, manager selection and new mandates. This included the establishment of 'sustainable investment philosophy and beliefs' and expanding knowledge of sustainable investment practices across the Group.

The challenges

Translating long term scientific forecasts into short term financial impacts is challenging. Effective risk assessment involves a number of interlocking factors: good data consistently reported at regular intervals, a consistent approach to interpreting performance, a deep understanding of the implications of different risk mitigation strategies and an informed view to enable a qualitative assessment of how well your customer is positioned for the challenges of climate change relative to its peers.

Over the past five years, we have progressively built up our response across each of these dimensions. Our focus has been on embedding climate risk assessment into core capabilities, policies, systems and processes where we can, and creating new procedures where we need to.

There is no doubt that policy frameworks are important, but business also needs to own the response for it to stick. And while regulatory certainty is critical, like any other area of business performance we have found that maintaining the flexibility to adapt to a fast paced and highly uncertain market environment has been the cornerstone of well-managed risk.

Lastly, there are many different perspectives on what a good strategic response to climate change looks like. Developing a well thought through position based on extensive customer engagement and community consultation has been crucial to navigating the many and varied expectations of all our stakeholders.

Ongoing priorities

There is a recognised need for ongoing improvements in the disclosure of underlying emissions data to fully assess financial risk. We are seeing demand for greater reporting on our own exposures and how we are engaging with customers to reduce risks. Appetite for

industry standardisation around assessment and reporting frameworks continues to strengthen. Ongoing training, education and capacity building on these ESG issues will be crucial.

IN FOCUS:

EQUATOR PRINCIPLES SET THE BENCHMARK

The Equator Principles are a voluntary set of ESG risk assessment principles for project finance, launched in 2003 with ten founding signatories globally, including Westpac. Today, more than 70% of project finance debt in emerging markets is covered by these principles. In 2013, Equator Principles Association Members gave overwhelming support to the newly updated EPIII. This revision creates the most robust version of the principles to date, extending the assessment process into corporate finance facilities and incorporating additional reporting on the emissions associated with financed projects.

Initiatives like the Equator Principles are important, because they show the willingness of leaders across the industry to voluntarily develop new and innovative frameworks to assess environmental risk, and to work with community groups and customers to embed them into standard business practice. This approach continues to be emulated as banks and financial institutions look to develop new frameworks for assessing carbon risk and accounting for financed emissions.

2. DEVELOP PRODUCTS AND SERVICES THAT DRIVE POSITIVE ENVIRONMENTAL OUTCOMES

What we committed to do

- Identify product and service opportunities which support positive environmental outcomes within retail banking, institutional banking, wealth management and funds management.
- Engage with carbon intensive and high risk customers and clients to manage specific climate impacts and opportunities within impacted sectors.
- Actively participate in emerging carbon trading markets (including opportunities relating to the creation of viable carbon sinks and the trading of the resulting credits).
- Communicate research and risk management advice to customers and clients in impacted sectors.

What we did

We began with the principle that managing risk, financing opportunities and navigating financial markets are what we do every day. Our focus, therefore, had to remain on how we could work with customers to best meet their needs by applying core expertise to develop products and services which deliver environmental outcomes.

Over the period 2008-2013 we developed a substantive program of work:

- In 2007 we established an integrated global trading team Commodities, Carbon and Energy (CCE). This team continues to build a strong track record of market firsts, trading the European Union, New Zealand and Australian carbon markets, along with commodities and the Australian Electricity Market (NEM). In 2010, 2011, 2012 and 2013, WIB was voted 'Best Trading Company in Australasia' by customers in the global Environmental Finance awards.
- Westpac's Renewable Energy Strategy was revitalised in 2008 to increase involvement in clean energy and large scale renewable financing. Today, more than 50% of global infrastructure and utilities financing is directed towards hydro and renewables. In 2010, we established a dedicated Carbon Deal Team within WIB, focused on developing customer and product solutions in response to emerging regulatory and carbon market developments. In 2013, Westpac committed to make available up to \$6bn in lending and investment for CleanTech and environmental services by 2017, subject to our standard risk criteria.
- We launched a number of innovative products to help customers manage their own environmental impacts, including:
 - The Energy Efficient Equipment Lease, which applies the standard features of a lease to energy efficient assets to reduce emissions



STAKEHOLDER PERSPECTIVE

“Australia has some of the world’s best renewable energy sources. Our relationship with Westpac makes it possible for us to fully utilise those resources through investments in large-scale projects that support local communities. This helps to meet Australia’s growing clean and sustainable energy needs, while also creating job opportunities.”

***– Miles George,
Managing Director, Infigen Energy***

and cut energy costs. This has now been rolled out through WIB, retail banking and Westpac New Zealand channels.

- The SunPower Flexi Loan, providing a discounted interest rate for customers wishing to finance solar products. Westpac provides a further discount to employees purchasing a SunPower solar system to encourage greater take-up of the offer.
- The 'Solar Shed' package, a dedicated equipment finance loan offering farmers in New Zealand easy and affordable access to high-quality grid connected solar.
- Westpac's 'Carbon Update' newsletter is delivered directly to more than 2000 leading customer, government and community representatives. We engaged with over 300 clients through more than 150 dedicated client meetings ahead of the start of the Australian carbon market.
- In 2011-12, we partnered with Landcare Australia and Baker & McKenzie to deliver free workshops across regional Australia on the Carbon Farming Initiative. In 2013, via our financial education provider The Davidson Institute, we delivered a further 28 seminars free to small businesses and not-for-profit organisations to understand the impact of the low carbon economy, plan for change and identify ways to become sustainable using sound financial management tools.

Building on these achievements, in early 2014 we partnered with the World Bank to launch Australia's first Green Bond, allowing mainstream investors to support renewable energy, energy efficiency and climate adaptation projects in developing countries.

The challenges

Westpac has always believed that sustainability solutions have to be embedded within a 'business as usual' approach. When looking at product development, this has often meant continuing to question whether a new product is required to address a particular environmental issue or whether an existing product can be applied to a new customer requirement. More often than not, we have found that customers are generally more comfortable working with a product or service

with which they already have a high degree of confidence and familiarity.

One of the other main lessons learnt is that it is difficult to isolate climate change and the need to reduce emissions from other key areas of environmental risk and opportunity. The drive to manage down carbon impacts is often interrelated with issues such as energy efficiency or water risk management for example. To best meet customer needs, we have to manage environmental issues in a more integrated manner.

Ongoing priorities

Engaging with customers to respond to emerging environmental challenges is a major area of focus in our 2017 Sustainability Strategy, including a commitment to launch one product or service aimed at meeting environmental challenges each year through to 2017. Much of the thinking behind these objectives emerged out of customer engagement and product development undertaken as part of this climate change response.

Another area which continues to see strong demand right across our customer base is solar. We will continue to examine opportunities for product and service delivery to meet growing market appetite.

IN FOCUS:

HERE COMES THE SUN

In 2013, Westpac New Zealand launched the 'Solar Shed' package in partnership with Meridian Energy. This offers farmers easy and affordable access to solar energy through a package including a high quality grid-connected solar system and a 100% equipment finance loan with Westpac.

Solar Shed has been designed to provide customers with a return on their investment, with an estimated average break-even period of around seven to eight years and expected electricity savings of more than \$3,000 per year. Farmers can also make money by selling any unused energy back into the grid at non-peak times.

3. ENGAGE EMPLOYEES AROUND CLIMATE CHANGE ISSUES AND IMPACTS

What we committed to do

- Continue to raise awareness across our employee base of climate change issues and how they can engage in identifying means to address climate issues.
- Support employees to develop localised responses to emerging issues within their teams and local communities.
- Provide access to training, research and information on Westpac's position and the steps being taken to respond to climate change.

What we did

With around 36,000 employees across Westpac Group, we recognise that the Westpac people who live and work right across the communities where we operate, expect us to engage directly on climate change issues. This includes clearly and transparently communicating our position, providing the tools and resources they need to identify impacts in their local community and providing access to the emerging market expertise which exists across our business.

Key initiatives included:

- In 2008 we launched an internal network of 'Our Tomorrow' champions. Starting in

New Zealand and progressively expanding to Australia and the Pacific region, this network now comprises more than 1,500 employees acting on climate change and other sustainability issues to help support local action.

- We delivered dedicated carbon risk training to over 1,800 employees, covering emerging regulatory and policy frameworks, the scientific impacts of climate change and new product or customer engagement opportunities.
- We created the 'Climate Conversations Toolkit', a dedicated intranet site available to all employees, aimed at building understanding of climate change and providing employees with the knowledge and tools they need to engage on climate change.
- Through our organisational mentoring program, our people have worked with key environmental or scientific organisations to help build capacity and strengthen good financial management.
- We have sought to empower our employees to reduce their own personal environmental footprint by offering \$4,000 short term interest free loans for the purchase of 'green' products including, rainwater tanks, solar panels and solar hot water systems, bicycles, energy and



STAKEHOLDER PERSPECTIVE

“When we started carbon trading, I felt really well informed about Westpac’s position on the why and what of our response to climate change. Since then though, we haven’t been as vocal. I think it is important that major organisations like Westpac take a stand on important issues like this, and making sure our employees know about what Westpac is doing is crucial. We can help get the message out to our friends and family.”

***– Louise Coughlan,
Westpac employee***

water efficient appliances and environmentally sensitive home improvement products.

- We have included a specific environmental category in the annual CEO Community Awards since 2005. Since then, nominated projects have ranged from the installation of water tanks, paperless IT forms, bush regeneration, projects to reduce carbon emissions, the introduction of KeepCups to employee cafes and paperless loan processing system changes.

Given Westpac's role as a major financial intermediary, our people are interested in what we are doing to help customers respond to environmental challenges. At all times, we have sought to be open and transparent with our people on Westpac's position on key climate change issues and how we are responding across the business.

The challenges

While we focused on using our engagement networks and information channels to communicate the organisational response to our employees, we have also heard from our people that they want be more directly involved in a 'hands on' way. That is why we have marked ourselves as having only partially achieved against this area of the Action Plan.

In addition, distilling the often complex and highly contentious issues in the debate at the heart of an effective response to climate change has often meant that not everyone agrees with our organisational position or the business response. That is why we have always sought to be clear and consistent in our views on the issues and communicate the rationale for our response.

Ongoing priorities

There are many opportunities for us to engage more directly with our people on climate change and related environmental challenges. Whether it is through social media or internal communications channels, through direct consultation or by continuing to educate and inform our people on the issues and response, this will be a key area of focus for our next action plan.

IN FOCUS:

THE GREENER DRAGON AT ST.GEORGE BANK

In 2011, the 'Green Team' from St.George Bank's Corporate Business Bank won the CEO Environment Award for their Greener Dragon program, implementing a diverse range of programs to make their workplace and community more sustainable.

The Green Team introduced recycling to the St.George Parramatta office for the first time, diverting the majority of the Region's waste away from landfill and enabling other tenants in the building to participate. The team also switched all water heaters to 7-day, 24-hour timers to reduce electricity consumption and encouraged behavioural change by conducting after-hours checks of workstations, leaving prizes for those who 'switched-off' (and black balloons for those who didn't). They introduced a range of paper saving initiatives and promoted greater communications with their customers and local suppliers sharing environmental tips for work and home. The Green Team's detective work led to the cancellation of many unused daily reports, saving 5 reams of paper every week. These are just a sample of the many and varied programs the Green Team introduced to earn an annual CEO Environment Award.

4. COMMUNICATE AND ADVOCATE WITHIN THE WIDER COMMUNITY

What we committed to do

- Continue to communicate our position and engage with policy-makers, customers, suppliers, financial markets and the wider community to further advance our understanding of potential impacts and issues.
- Actively engage in ongoing policy dialogue aimed at formulating national, regional and international policy and industry responses to climate change.
- Continue to engage with stakeholders and report on progress against this and related Westpac initiatives.

What we did

As Westpac approaches its third century of operation, we recognise that we have an important role to play in addressing highly complex, intergenerational issues like climate change, with the potential to fundamentally reshape the communities in which we live and work.

Westpac has been advocating on key elements of the climate change debate for around 20 years. We have done so by constructively contributing to the policy debate, engaging our customers on the big issues and working with community or research groups to explore areas of impact and appropriate responses. Applying

our financial expertise to finding practical and positive solutions has been the cornerstone of our activities. Key initiatives included:

- Westpac is an active participant in ongoing public policy dialogue in Australia and New Zealand on an appropriate response to climate change and the design and implementation of market-based policy mechanisms to facilitate economy-wide abatement at least cost.
- Westpac has been the 'Lead Climate Partner' within The Climate Institute's Climate Partner's Network since 2010. The Climate Institute is an independent, nonpartisan research and communication organisation focused on highlighting the impacts of climate change and finding solutions. Westpac has participated in and supported a number of industry sector research initiatives over the term of the partnership.
- As a member of the Investor Group on Climate Change Australia / New Zealand (IGCC), Westpac's wealth management arm BT Financial Group has supported the development of sustainable investment practices.
- In 2012, Westpac became a founding signatory to Business for a Clean Economy, a collaboration of companies, NGOs and industry associations focused on unlocking clean energy investment.



STAKEHOLDER PERSPECTIVE

“Westpac’s consistent acknowledgement of climate science, the growing costs of climate change and the need for active policy solutions such as an emissions trading scheme has been a vital buttress to a reasoned public debate on this challenging issue. We look forward to working with Westpac and the broader financial sector on integrating carbon and climate risks into decision making and investment.”

– John Connor, CEO, The Climate Institute

- WIB has held client information sessions with a range of leading specialists on carbon matters, including former Australian Ministers for Climate Change Senator Penny Wong and the Hon. Greg Combet, former New Zealand Minister for Climate Change Nick Smith, and then Opposition Spokesperson for Climate Change Greg Hunt, as well as Christiana Figueres, Executive Secretary of the UN Framework Convention on Climate Change (UNFCCC).
- Westpac has been a strong supporter of both the Australia-New Zealand Climate Change and Business Conference and the Australasian CarbonExpo conference, an annual industry sector forum which brings together participants across the carbon and climate change markets to discuss policy and practical solutions.
- In 2013, Westpac, IAG, Optus, Munich Re, Investa and Red Cross commissioned The Australian Business Roundtable for Disaster Resilience and Safer Communities White Paper, undertaken by Deloitte Access Economics to look at the rising social and economic costs of natural disasters and call for greater coordination and funding of activities before disasters occur.
- This year, Westpac New Zealand launched a new partnership with The Greenhouse and the New Zealand CleanTech and Environment Network (NZCEN) to better understand how financial services can better support New Zealand CleanTech opportunities.

These are just some of the many roundtables, seminars, dialogues and policy forums in which Westpac has participated over the years and continues to support.

The challenges

Given the complexity and the volatility of the debate, it has been very challenging for Westpac to balance the occasionally competing views from across the business on an appropriate policy response to climate change. Westpac has always sought to be clear and consistent on our public position, and to speak from a position of expertise as an investor and financial market intermediary.

In response to an evolving regulatory and market environment, Westpac has pursued an organic growth strategy for carbon markets and carbon

finance products and services which reflects the uncertain nature of any emerging market and which seeks to maintain Westpac's position as a voice of knowledge and expertise able to provide our customers with practical solutions during this transitional period.

Ongoing priorities

This is a complex debate and all businesses have an important role to play in creating useful solutions. Having built a strong response examining the regulatory and market implications of climate change, we are now looking at opportunities to advance understanding of the costs and impacts of adapting to climate change over the coming decades.

We will continue to work through community partnerships, customer and industry engagement to contribute to the evolution of new policy, market and technological solutions to environmental challenges.

IN FOCUS:

COMING READY OR NOT

In 2012, Westpac supported a substantial research project in partnership with The Climate Institute to examine the impacts of climate change on physical infrastructure. The subsequent report 'Coming Ready or Not: managing climate risks to Australia's infrastructure' gathers research on the physical impacts and consequences of climate change on major infrastructure across the property, electricity, road and rail and finance sectors. It examines the preparedness of businesses and governments to manage these risks and the steps needed to improve Australia's climate readiness.

The report also made practical recommendations for business and governments to develop a more coordinated response and called on business to assess and disclose climate risks. The full report is available at: www.climateinstitute.org.au

5. MINIMISE OUR DIRECT ENVIRONMENTAL FOOTPRINT

What we committed to do

- Reduce direct emissions by a further 30% by the end of the 2012/13 financial year through energy, resource and operational efficiency initiatives.
- Increase accredited GreenPower purchase.
- Work with customers, partners and suppliers to minimise emissions throughout the value chain.
- Utilise savings from environmental efficiency initiatives for the purchase of GreenPower and offsets.

What we did

Against a backdrop of a 40% emissions reduction achieved between 1996 and 2008, in our Climate Change Position Statement we set a target to reduce direct emissions by a further 30% by 2013. We were aiming to achieve this through energy, resource and operational efficiency initiatives and we committed to working with customers, partners and suppliers to minimise emissions across the value chain.

Westpac underwent significant organisational structural changes during the period, including the merger with St.George in 2008 and the creation of a new Australian Financial Services division in 2012. Due to these factors, we didn't

hit our 30% target. However, we did accomplish a great deal and identified new thinking on how best to manage our footprint along the way.

During the period, key achievements included:

- We reduced emissions by 10% across the Group, as a result of energy efficiency works undertaken in our commercial office and retail network and a greater focus on forward planning of resources and projects.
- We identified a further 1,870 projects across our retail network, commercial offices and data centres. Of these, 943 projects have or will be implemented at a cost of \$16.2 million. These projects will save 29,200 tCO₂e each year and have an average payback of less than four years.
- From 2008-2013, we purchased 139,184 GJ of GreenPower which equates to 3.6% of the electricity we consumed and a carbon avoidance of 34,500 tCO₂e.
- In 2012, we established a new Environmental Management Committee with representation from relevant parts of the business to oversee progress against our environmental footprint targets.
- In 2013, we achieved a Certified Energy Efficiency Datacentre Award (CEEDA) for our



STAKEHOLDER PERSPECTIVE

“Westpac’s North Ryde data centre is a perfect example of what can be achieved when refurbishing an old facility. The considerable efforts made to transform this facility from a 1980 designed inefficient building into a leading energy efficient data centre should be recognised. Westpac Western Sydney is also an excellent example of what an energy efficient co-location data centre should be like.”

***– Mr John Booth,
Assessor, The Chartered Institute for IT***

Ryde and Western Sydney Data Centres, as certified by the Chartered Institute for IT.

- In 2013, Westpac was certified Carbon Neutral under the National Carbon Offset Standard, building on the emissions reductions that we have achieved in our operations. We have now committed to maintain this certification until 2017.

The challenges

There were a number of operational challenges in meeting objectives to reduce our footprint. When we set the 2008 target to reduce absolute emissions by a further 30%, we had already achieved reductions across our operations of over 40% from a 1996 baseline. While we anticipated that our business would continue to grow, the target was set against a relatively stable set of operational assumptions. Over the five year period, the digitalisation of banking services grew significantly, leading to much higher than anticipated energy demands across our data centres. The acquisition of St. George Bank also impacted forecast energy efficiency planning and consumption management strategies. It also became increasingly clear that employee engagement and behavioural change in the implementation of various environmental management and efficiency programs is fundamental to meeting emission reduction targets.

Ongoing priorities

Recognising the challenge of meeting an absolute reduction target within the context of ongoing organisational change, in 2012 we established new five year targets with a focus on efficiency, including an electricity reduction target of 10% kWh/m² for commercial and retail sites and a Power Usage Effectiveness (PUE) target of 1.60 for data centres.

We have commenced a review of our Environmental Management System and Environmental Policy, both of which address climate change risks and opportunities for our operational footprint.

In late 2014 the first phase of WorkSMART will commence, a corporate property relocation strategy to consolidate our Australian property footprint in

Melbourne and Sydney into more environmentally friendly and energy efficient buildings. This will enable us to make absolute emission reductions as well as meet efficiency targets.

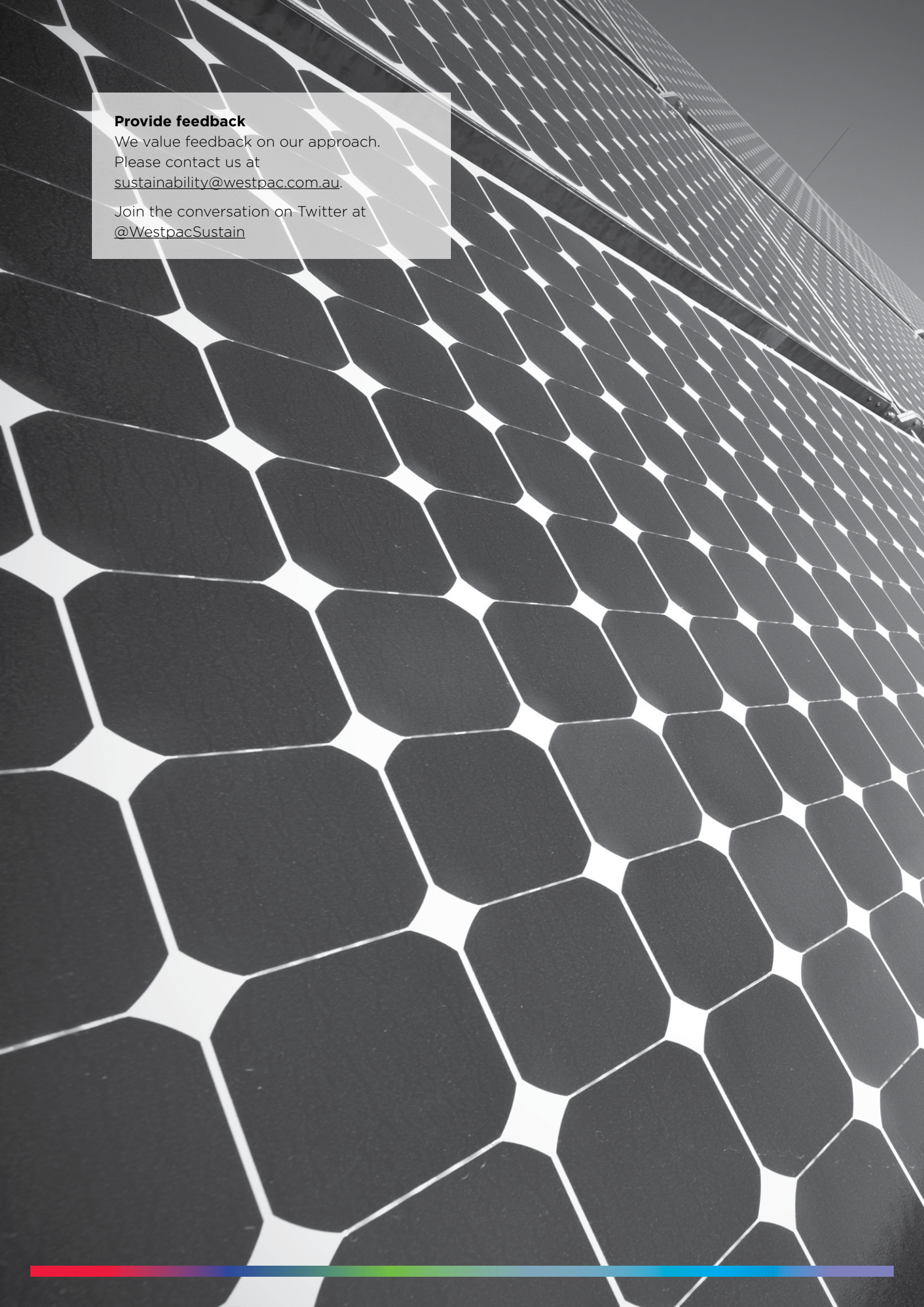
In early 2014, we formed a new Environmental Advocates Network, a subset of the Our Tomorrow Champions employee sustainability advocacy program with a focus on running local environmental initiatives and sharing knowledge and skills. This recognises that our employees have a significant role to play in reaching our environmental targets.

IN FOCUS:

OPPORTUNITIES FOR ENERGY EFFICIENCY

Westpac has been reporting under the Australian Energy Efficiency Opportunities Act since 2011. In that time, we have identified and completed a wide range of projects to reduce our energy consumption, operating costs and greenhouse gas emissions. As part of the EEO process, we look at how and where energy is used across our facilities, trends over time, performance indicators, influences on use, major energy using equipment and potential cost effective energy efficiency opportunities.

Over the last four years, we have completed 78 energy assessments, covering 665,831 GJ of energy or 85% of the Westpac Group's total energy consumption. We identified 661 energy efficiency opportunities with potential energy savings of 112,536 GJ. Of these, 126 have or will be implemented saving 64,160 GJ of energy per annum, while we are investigating a further 345 potential projects and 190 have been deferred. What we found is that around 68% of projects identified have a payback period of less than two years, delivering both cost savings and reductions in our greenhouse gas emissions. All our EEO reports are published under the environment section at www.westpac.com.au/sustainability-and-community



Provide feedback

We value feedback on our approach.
Please contact us at
sustainability@westpac.com.au.

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