



# Westpac Green Tailored Deposit Framework

 **Westpac** GROUP

Westpac Banking Corporation ABN 33 007141



# Introduction



## The Green Tailored Deposit Framework

The Green Tailored Deposit Framework (the 'Framework') set out in this document details Westpac Banking Corporation's ('Westpac') approach to management of Westpac's Green Tailored Deposit ('GTD'). The GTD meets the Climate Bonds Standard V3.0, which incorporates the International Capital Markets Association ('ICMA') Green Bond Principles ('GBP') (2018).

Westpac's Green Tailored Deposit Framework has programmatic certification from the Climate Bonds Initiative ('CBI'), which applies to all deposits transacted under the GTD program.

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

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.

In this Framework, to align terminology with the Climate Bond Standard the term "net proceeds" has been utilised. As such in the context of the Framework, net proceeds should be taken to refer to Deposits.




# 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
 <p>Helping when it matters most <i>Local Perspective</i></p>	<p>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></p>	<ul style="list-style-type: none"> <li>Supporting customers and businesses through times of change and hardship</li> <li>Supporting financial wellbeing</li> </ul>
 <p>Backing a stronger Australia <i>National Perspective</i></p>	<p>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></p>	<ul style="list-style-type: none"> <li>Backing people, jobs and ideas shaping Australia's future</li> <li>Helping Australians respond to climate change</li> </ul>
 <p>Collaborating for impact <i>Global Perspective</i></p>	<p>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></p>	<ul style="list-style-type: none"> <li>Respecting human rights and amplifying Indigenous voices</li> <li>Supporting the transition to a climate resilient future</li> </ul>



# 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 Plan<sup>1</sup>](#) 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 Tailored Deposit Framework

## Overview

Westpac's GTD aims to contribute to the key role that our deposit markets can play in funding assets that contribute to global environmental challenges. This Framework sets out the governance and processes which support Westpac's Green Tailored Deposit.

### The Green Tailored Deposit aims to provide finance that:

- Backs climate change solutions
- Promotes the transition to a net zero emissions economy
- Accelerates the reduction in CO<sub>2</sub> emissions
- Mitigates other environment challenges<sup>2</sup>

### 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 Disclosure

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 in page 6<sup>3</sup>.

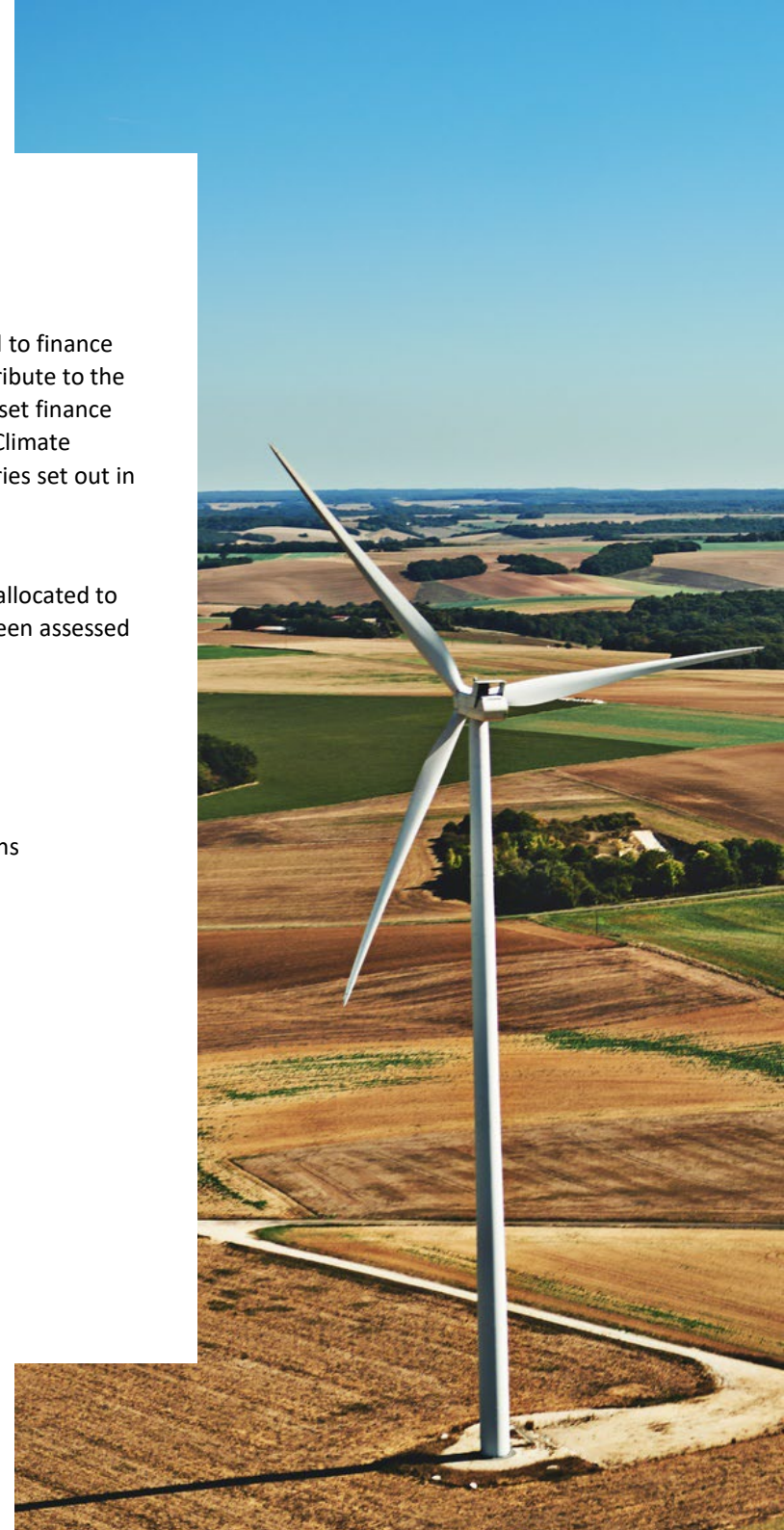
### Excluded assets

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

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








<sup>2</sup> Any Westpac Green Tailored Deposit issued 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.

<sup>3</sup> The GBP categories and eligibility criteria detailed on page 6 are not exhaustive and therefore, where we identify eligible assets that meet the CBI Standard V3.0, these may be included in the use of proceeds of a Green Tailored Deposit.



# Green Tailored Deposit 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"> <li>Construction, operation, and maintenance of renewable energy including solar, wind and hydropower<sup>4</sup>.</li> <li>Construction, operation and maintenance of transmission lines, smart grids and energy storage systems and facilities.</li> </ul>
 	
 Clean transportation	<ul style="list-style-type: none"> <li>Construction, operation and maintenance of clean transportation infrastructure and assets including public transportation rolling stock (light passenger rail and electrified buses), networks and stations.</li> <li>Improvements, upgrades and expansion of clean transportation infrastructure.</li> </ul>
	
 Green buildings	<ul style="list-style-type: none"> <li>Construction or operation of energy efficient commercial buildings with minimum 5-star NABERS rating or equivalent under other national or international energy performance rating agency<sup>5</sup>.</li> <li>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.</li> <li>Construction of new or refurbished residential properties that meet the Climate Bonds Standard criteria for Australian low carbon residential buildings.<sup>6</sup></li> </ul>
	

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

4. Limited to maximum capacity of 25MW. 5. For certification 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 (kgCO<sub>2</sub>-e/m<sup>2</sup>). 6. 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 Tailored Deposit 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 Finance Working Group (‘SFWG’)** which is responsible for identifying assets, providing asset-specific eligibility information and managing the various pools of assets. It comprises representatives from Sustainable Finance, Group Treasury, Financial Markets Product and sector analysts.
- **Westpac Financial Markets Product, Balance Sheet and Structuring (‘PBSS’)** which is responsible for evaluating asset eligibility under this Framework, obtaining annual independent verification and providing annual Update Reports to the CBI.

## III. Management of Proceeds

The SFWG and PBSS periodically track the net proceeds of the GTD against the asset pool to ensure ongoing compliance with the Climate Bonds Standard. Under Westpac’s programmatic certification of the GTD, this analysis is performed on an aggregated basis (portfolio approach).

Task	Description	Responsible
 Pool Management	The SFWG meets at least quarterly to manage the pool of assets. Potential new assets and/or removed assets are reported to PBSS, who conduct detailed analysis based on the CBI’s Sector Eligibility Criteria and update the pool accordingly.	SFWG and PBSS

Task	Description	Responsible
 Tracking and Allocation of Proceeds	<p>Each GTD transaction is flagged and booked within a unique portfolio.</p> <p>Westpac will fully allocate the net proceeds of GTD transactions to the verified pool of eligible assets. Any unallocated net proceeds will be held in temporary investment instruments that are cash or cash equivalent instruments.</p> <p>PBSS conducts monthly reviews to ensure proceeds from Green Tailored Deposit transactions remain fully allocated to the pool of eligible assets. This would only occur if the buffer between assets and deposits was eroded to below zero. This is routinely managed via a monthly check in of net proceeds versus the size of the underlying asset pool</p>	PBSS

## IV. Reporting and Disclosures

Westpac will provide to the CBI an annual Update Report which will be made publicly available. The Update Report will include:

- Allocation reporting – confirming the allocation of net proceeds to eligible assets within the GTD asset pool, and
- Eligibility reporting – confirming the characteristics or performance of assets within the pool conform to the relevant eligibility requirements set out in the Sector Eligibility Criteria published by the CBI.

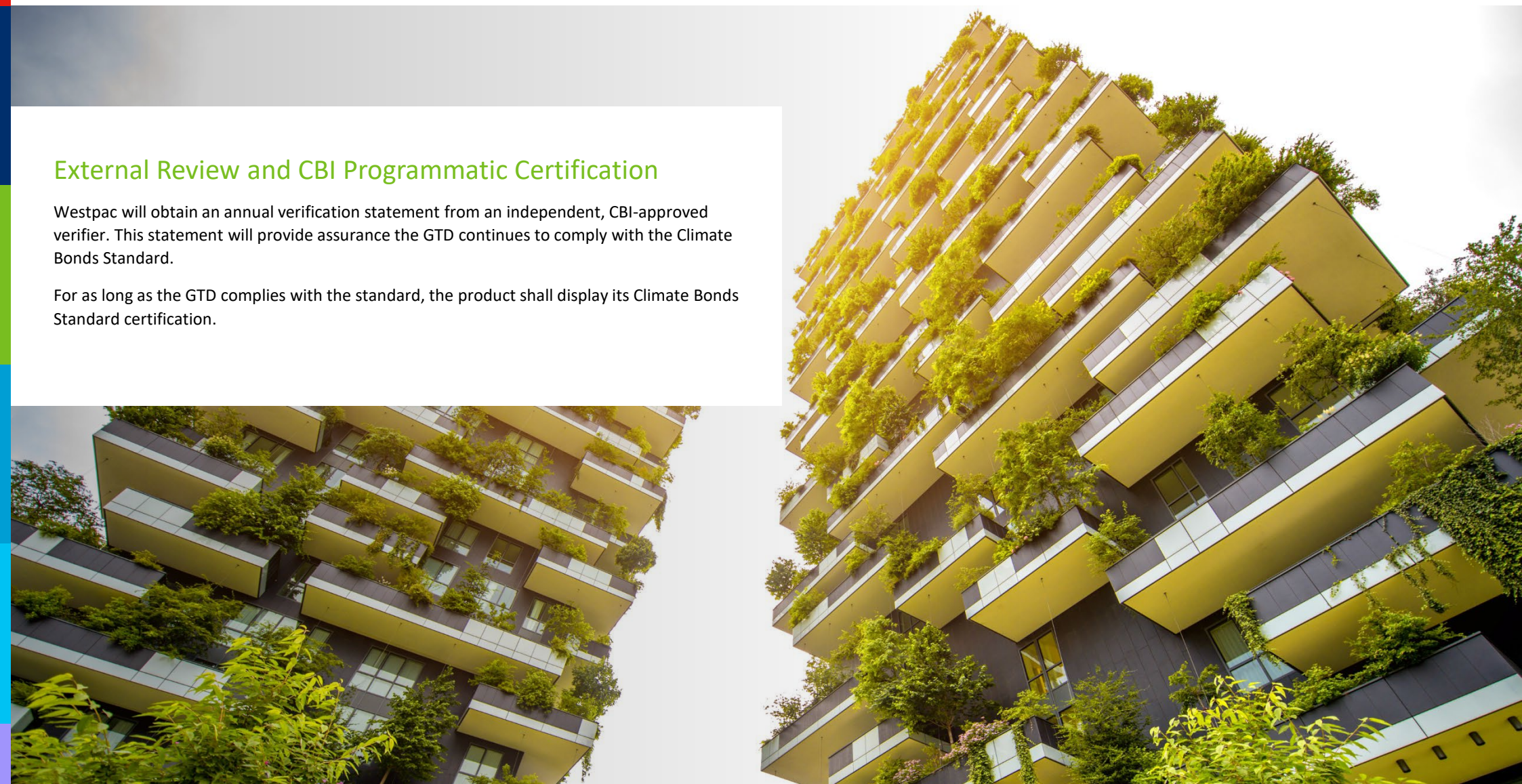


# External Reviews and Certifications

## External Review and CBI Programmatic Certification

Westpac will obtain an annual verification statement from an independent, CBI-approved verifier. This statement will provide assurance the GTD continues to comply with the Climate Bonds Standard.




For as long as the GTD complies with the standard, the product shall display its Climate Bonds Standard certification.





# Appendix

## Examples of Relevant Impact Metrics

GBP Category	Impact Metrics
 Renewable energy and energy efficiency	<ul style="list-style-type: none"> <li>Annual renewable energy generation in MWh/GWh.</li> <li>Annual GHG emissions reduced/avoided (tCO<sub>2</sub>-e).</li> </ul>
 Clean transportation	<ul style="list-style-type: none"> <li>Annual GHG emissions reduced/avoided (tCO<sub>2</sub>-e) (per km travelled – benchmarked against average CO<sub>2</sub> emission vehicle).</li> <li>Number of passengers carried per annum.</li> <li>New clean infrastructure built (kms).</li> </ul>
 Green buildings	<ul style="list-style-type: none"> <li>Annual GHG emissions reduced/avoided (tCO<sub>2</sub>-e).</li> <li>Energy consumption kWh/m<sup>2</sup> per annum and % energy use reduced/avoided vs local baseline/building code.</li> <li>Floorspace/occupancy of green real estate (m<sup>2</sup>).</li> <li>Average portfolio GHG Intensity against 15% city benchmark.</li> </ul>

GBP Category	Impact Metrics
 Sustainable water and wastewater management	<ul style="list-style-type: none"> <li>Volume of water saved/reduced/treated (m<sup>3</sup>).</li> <li>Total population served by the system.</li> <li>GHG emissions for engineered water treatment infrastructure.</li> </ul>
 Pollution prevention & control	<ul style="list-style-type: none"> <li>Annual gross amount of waste that is separated that are recycled and/or treated (tonnes per annum or % of total waste).</li> <li>Tons of waste, secondary raw materials or compost produced.</li> <li>Capacity of recycling waste diverted from landfill (tonnes per annum).</li> </ul>
 Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> <li>FSC Certified forestry under management (Ha).</li> <li>Production of wood, wood fibre and pulp (tonnes per annum)</li> <li>Number of new seedlings planted (per annum).</li> <li>Conversion between harvested vs. newly planted seedlings.</li> <li>Seedling survival rate (%).</li> </ul>

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