

# ESG market update

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**21 SEPTEMBER 2021**

WESTPAC BANKING CORPORATION  
ABN 33 007 457 141

Fix. Simplify. Perform.

 **estpac** GROUP

# Session overview.

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## Governance

Peter King

- Strengthening risk governance
- Strengthening risk management and risk culture
- CORE program progress

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## Social

Carolyn McCann

Siobhan Toohill

- Building diversity
- Support for vulnerable customers
- Approach to human rights and modern slavery

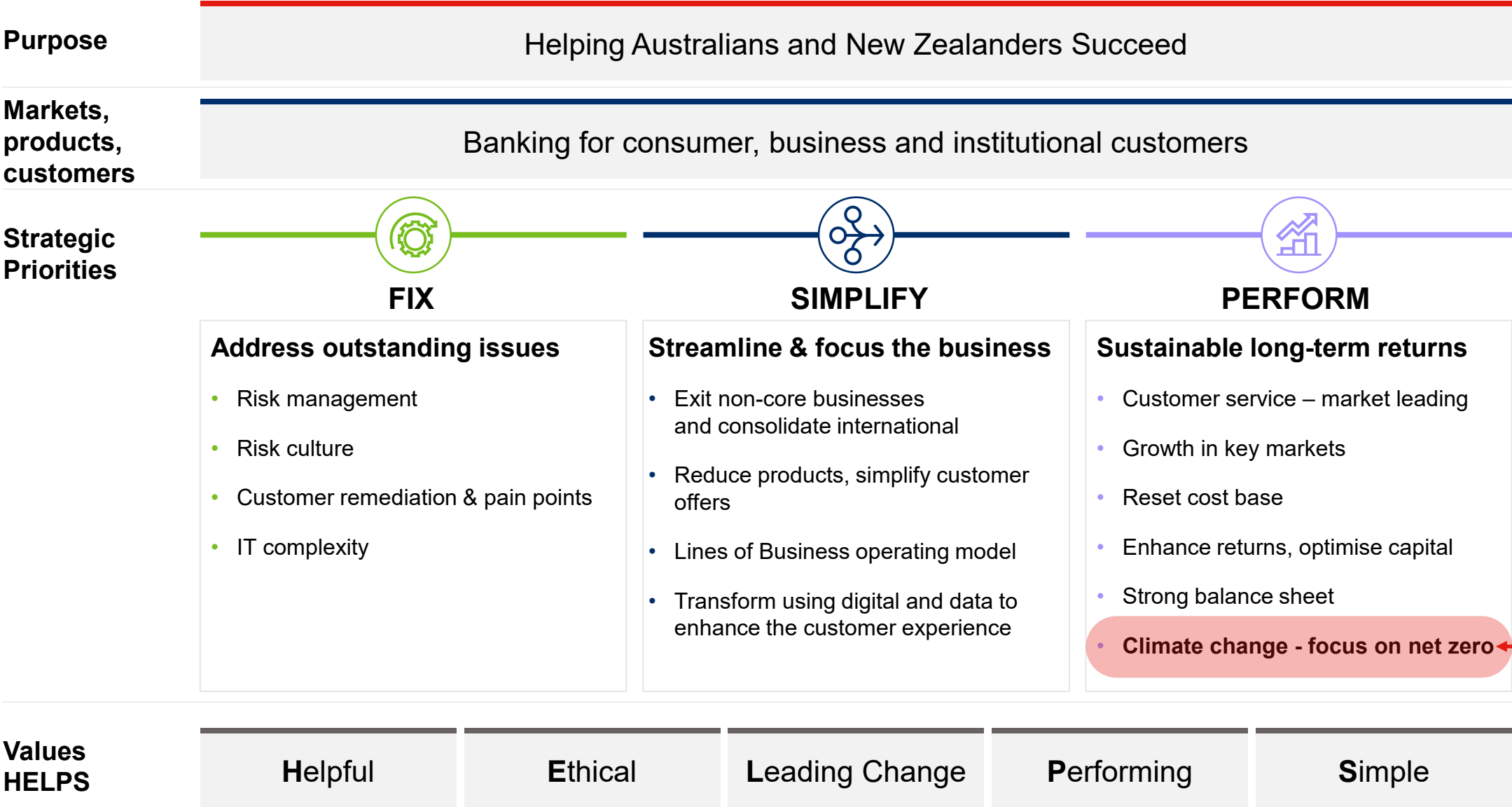
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## Environment

Anthony Miller

- Climate change principles and actions
- Assessing pathways to net zero
- Supporting customers in transition to a low carbon future

# Further integrating ESG into our strategy.



Added climate change as a strategic priority

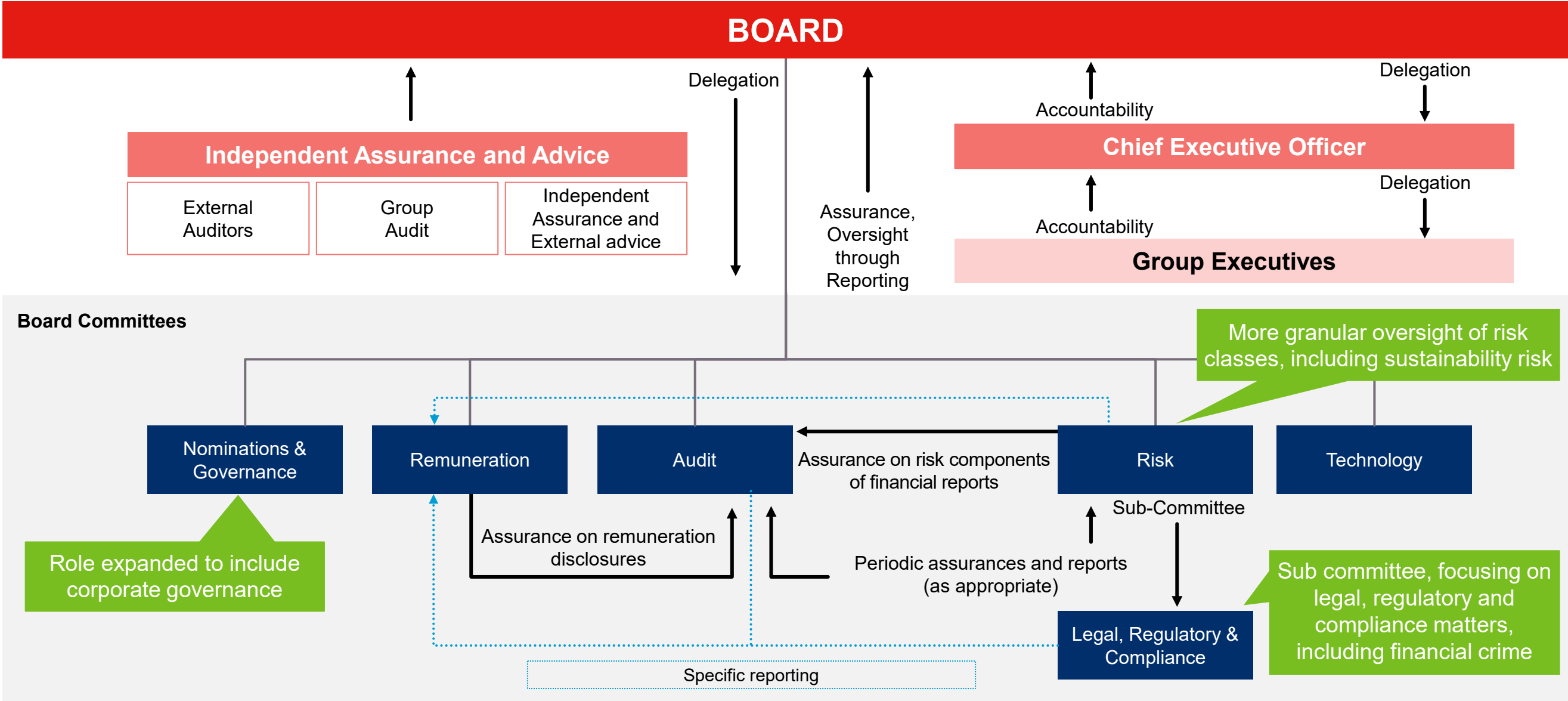
# Governance

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**Peter King**  
Chief Executive Officer

# Westpac's Board and Committee structure.

Governance



# Fundamentally changing our business and how we operate.

Governance



## RESETTING OUR PORTFOLIO

- Focus on banking in Australia and NZ
  - Exiting wealth and insurance and other specialist businesses
  - Consolidating international presence
- New strategic priorities: Fix, Simplify, Perform
- New purpose and values
- Clarity on behaviours expected



## NEW OPERATING MODEL

- Introduced Lines of Business (LOBs) operating model
  - Westpac is now structured along key lines of business, such as: mortgages, business lending, financial markets, global transaction services
  - Creates end-to-end accountability
  - Improves control over processes



## STRENGTHENING MANAGEMENT OF RISK

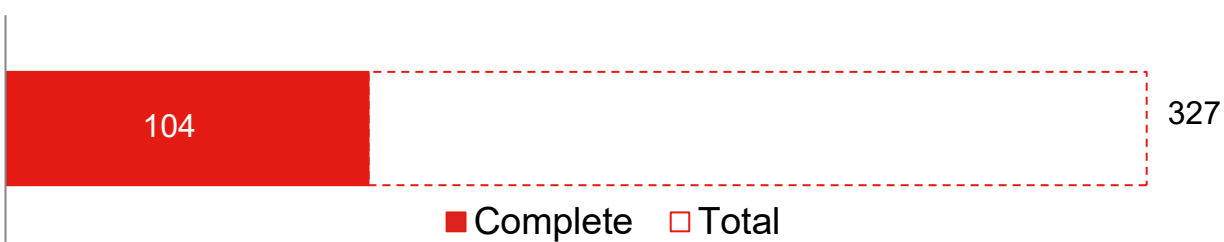
- Customer Outcomes and Risk Excellence (CORE) program improving
  - Risk culture, accountability
  - End-to-end management of risk
  - Three lines of defence
  - Data quality
  - Oversight and execution
- Working with regulators to accelerate the closure of outstanding investigations

# Customer Outcomes and Risk Excellence (CORE) program.

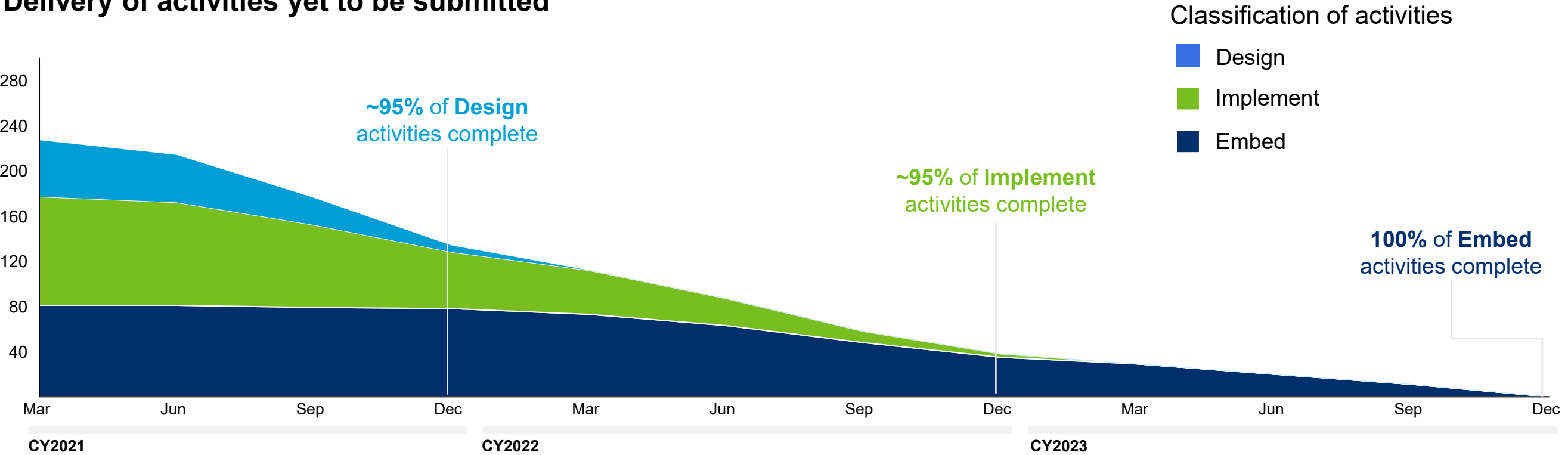
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- Strengthening risk governance, accountability and risk culture
- 19 workstreams, 80 deliverables and 327 activities
- Group Executive accountability, including remuneration
- Quarterly independent assurance by Promontory Australia

## Almost one third of CORE activities submitted<sup>1</sup>



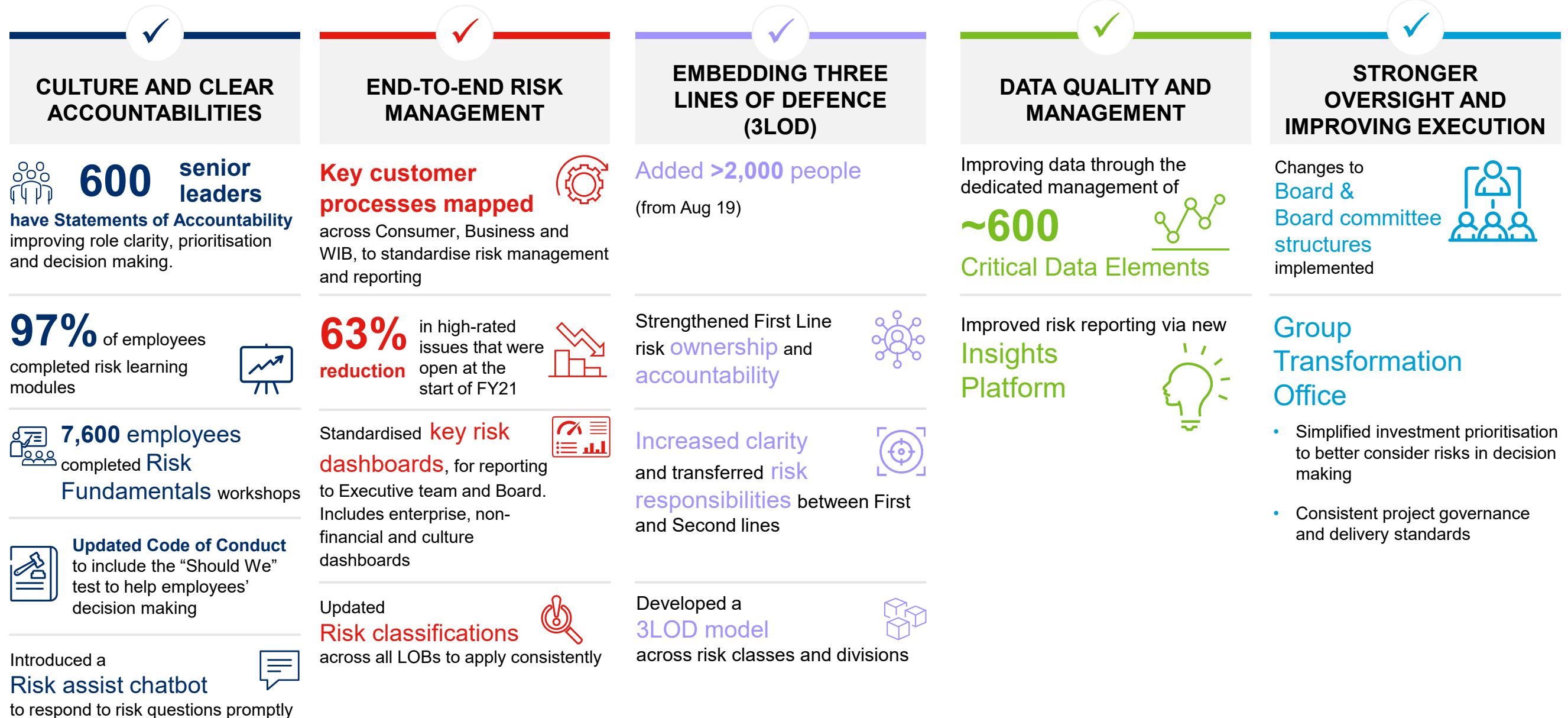
## Delivery of activities yet to be submitted



1. At 30 June 2021, Submitted to Promontory Australia for signoff.

# Strengthening the management of risk via CORE.

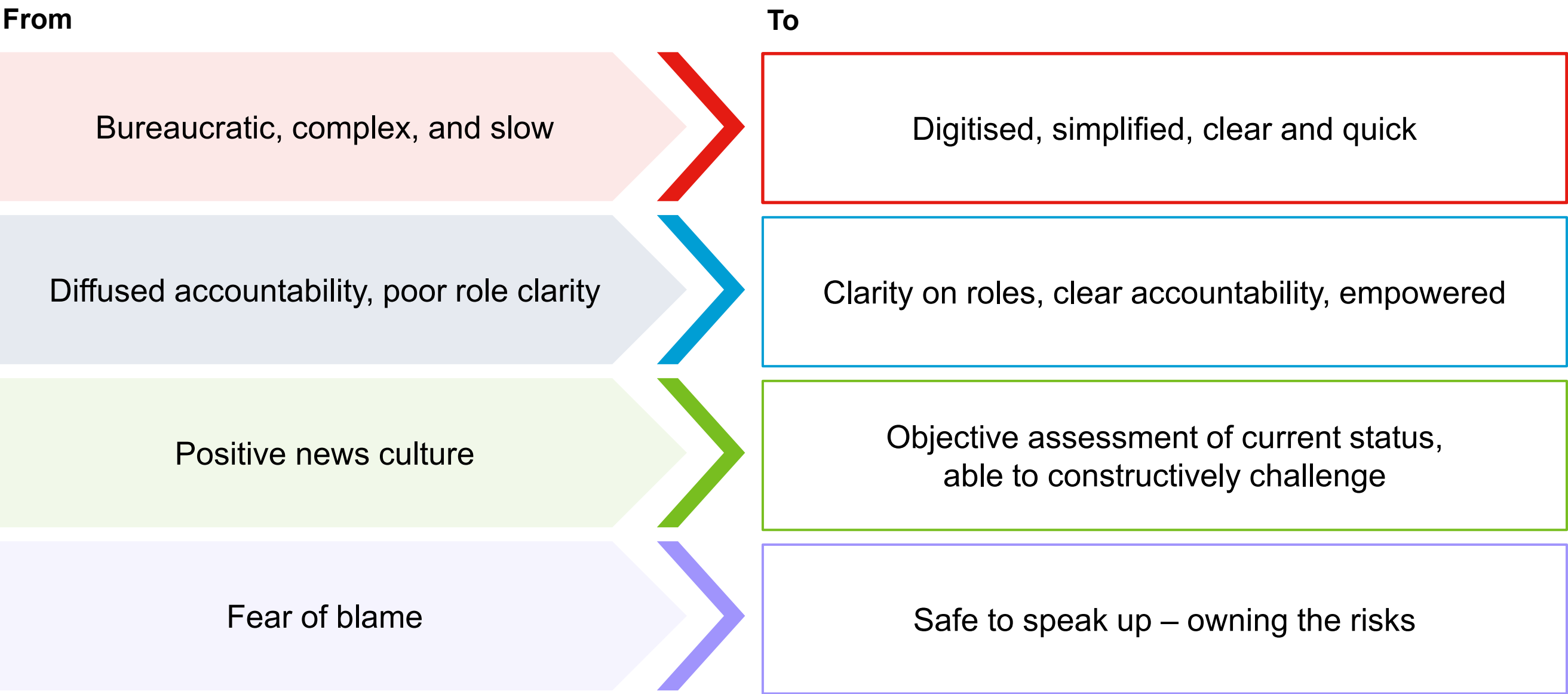
Governance





# Strengthening culture.

Governance



# Financial Crime capability.

Governance

## Foundations re-assessed and rebuilt

All AUSTRAC statement of claim items addressed, remediated over 350 issues

Increased specialist resources by around one third from 2019

130 transaction monitoring rules reviewed with 60 new rules updated or implemented

Oversight of change with 88 testing and audit reports completed. 90% of controls assessed no change, 10% opportunity to improve

Assessed the risk of >350 products and channels

23 technology upgrades / enhancements to financial crime systems in FY21

## Embedding change for the future

Delivered over 40,000 hours of financial crime awareness training in FY21

Identified critical data points and established automated reconciliations and checks

Active in the Fintel Alliance, having cooperated on over 30 projects/ investigations in FY21

Commenced simplifying data flows and using analytics to improve detection

Upgraded transaction screening software and settings to deliver more risk-sensitive outcomes

Launched projects to simplify processes and establish next-generation detection capabilities

**2018-2020**

Develop programs of change

**2019-2021**

Implement changes

**2021 >**

Embed in operations

# Taking the next step on gender equality.

Governance

## ACCELERATING WOMEN'S EQUALITY

### 1. Targeting equal representation of women

- Seeking to embed representation targets for women in leadership
- Review pathways succession, leadership programs, mentoring

### 2. Gender pay equity

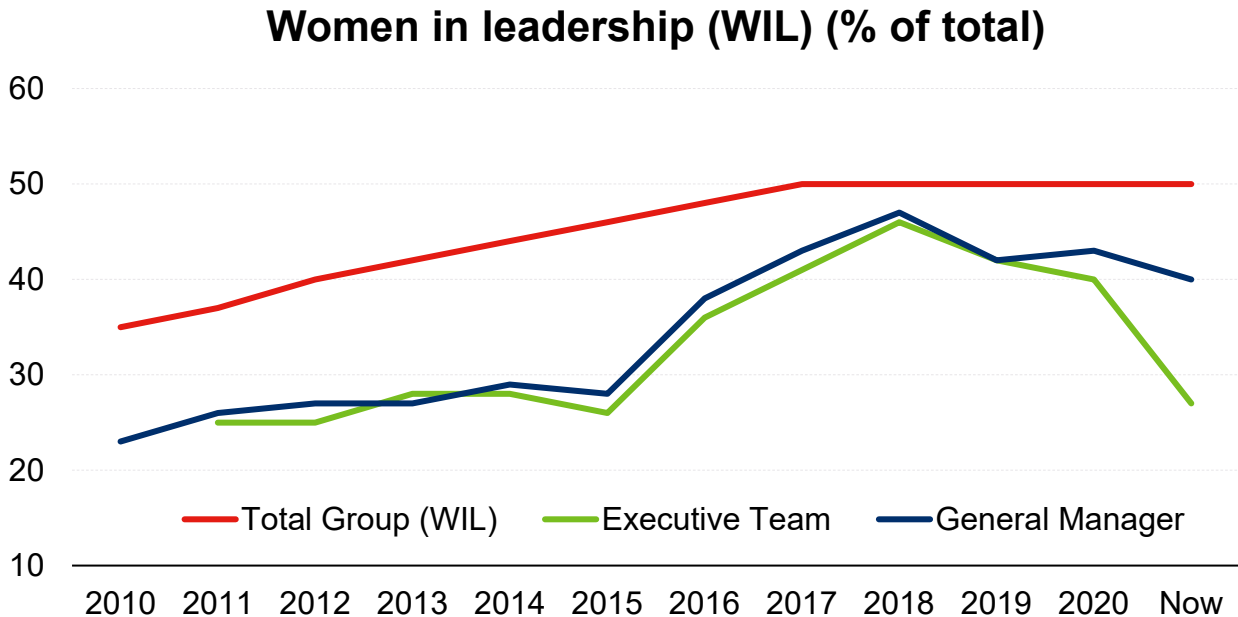
- Aggregate pay difference across company between 97% to 102% in FY20 (excluding Executives)
- Detailed job level analysis to address pay gaps >5%

### 3. Leading on policy

- Increase paid parental leave to 16 weeks (from 13) for primary carers
- Increase paid parental leave to 4 weeks (from 3) for support carers
- Special Paid Parental Leave to support premature births
- Special Paid Parental Leave to support early loss of 5 days
- Reinforcing recruitment requirements including 50:50 gender shortlists

## OUR OBJECTIVES

- Seeking to maintain 50% women in leadership<sup>1</sup> across Westpac
- Recently signed up to 40:40 Vision<sup>2</sup> pledging to achieve a gender balance of 40:40:20 in Executive leadership by 2030. Targeting to reach objective by 2027
- Board is also targeting a 40:40:20 objective



<sup>1</sup> Women in Leadership refers to women in leadership roles. It includes the CEO, Group Executives, General Managers, senior leaders with significant influence on business outcomes (direct reports to General Managers and their direct reports), large (3+) team people leaders three levels below General Manager, and Bank and Assistant Bank Managers. <sup>2</sup> 40:40 Vision is an initiative led by HESTA and supported by various industry partners including some large Australian fund managers, Chief Executive Women, the Workplace Gender Equality Agency and ACSI. The 40:40:20 represents 40% female, 40% Male and 20% any gender

# Social

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**Carolyn McCann**

Group Executive, Customer & Corporate Relations

**Siobhan Toohill**

Group Head of Sustainability

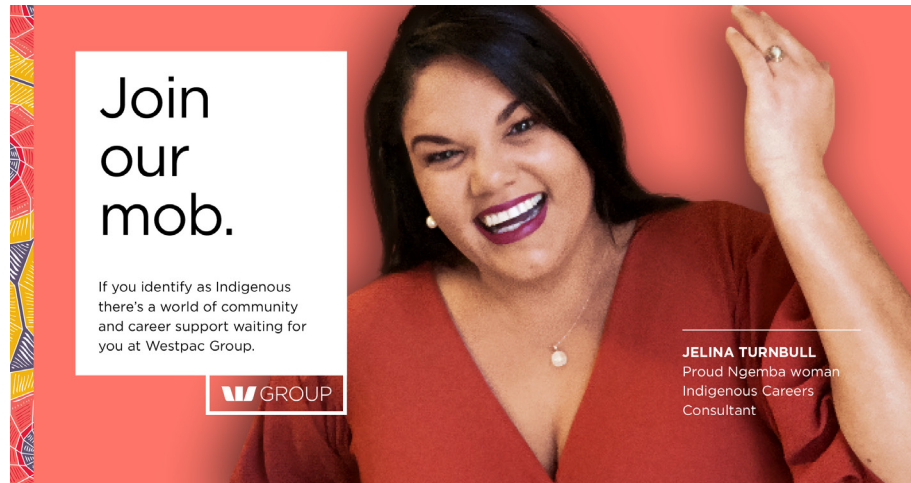
# Focused on enhancing diversity.

Social



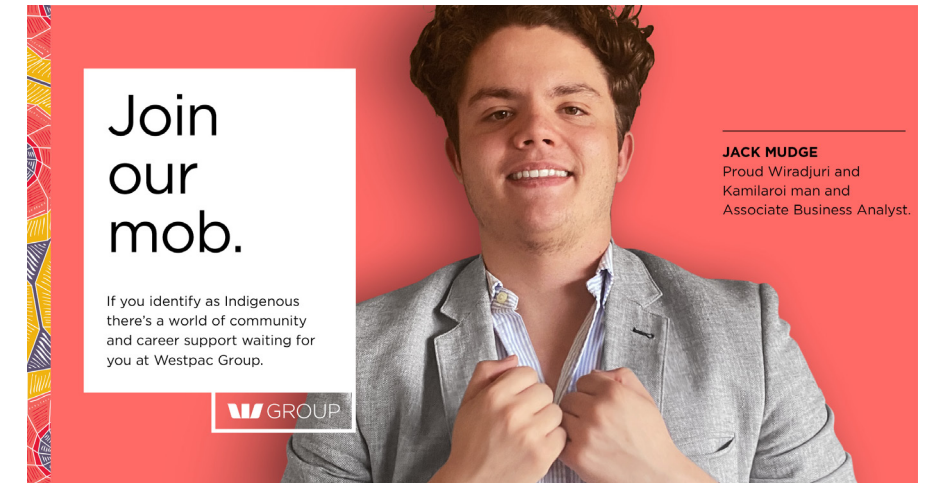
## CULTURAL DIVERSITY

- Employee Action Group with over 1,000 members with 62 different cultural heritages that work to promote awareness and inclusion
- Established a Group-wide Leadership Shadowing Program to promote development
- Feedback informs policies, training and development



## INDIGENOUS REPRESENTATION

- Updating our Reconciliation Action Plan (RAP)
- Refreshed our cultural competency training
- Improved banking accessibility for over 4,500 indigenous and remote Australians through Yuri Ingkarninthi, our Indigenous Connection Team
- Access to capital for indigenous businesses through our partnership with First Australian's Capital
- In 1H21 hired 28 permanent employees along with 71 Trainees and 23 Interns under our Indigenous program



# Helping customers in need of extra care.

Social

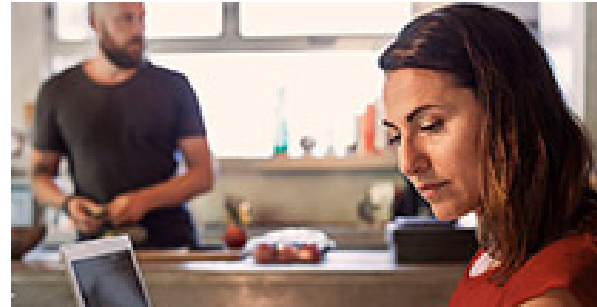
## STRENGTHENED CAPABILITY

- Updated customer vulnerability policy and standard
- Trained over 19,000 staff
- Dedicated customer vulnerability teams
  - Accessibility and inclusion team
  - Customer vulnerability and financial resilience team
- Material improvement in complaints management
- New Group-wide complaints management system

### DOMESTIC & FAMILY VIOLENCE



### FINANCIAL HARDSHIP



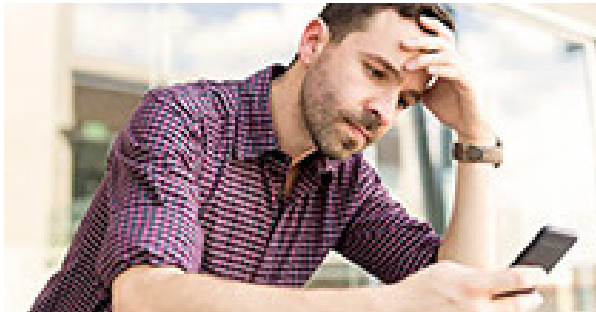
### FINANCIAL ABUSE



### LIVING WITH DEMENTIA



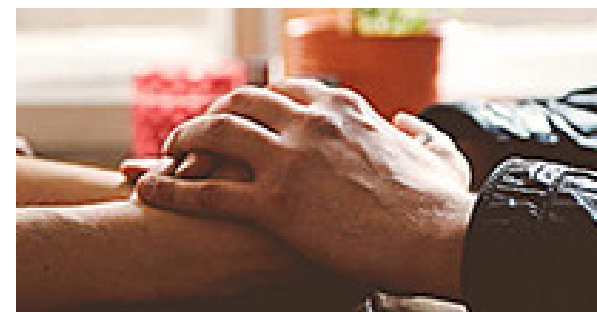
### HELP WITH GAMBLING



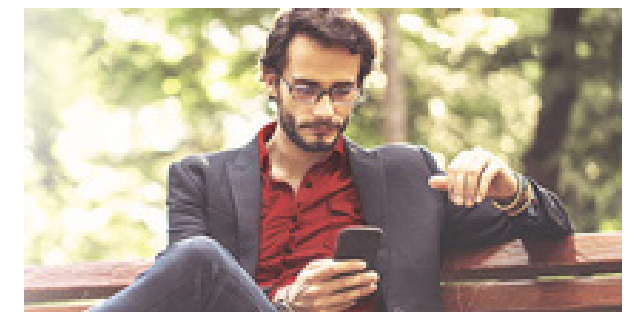
### ELDER FINANCIAL ABUSE



### LIFE MOMENTS



### FRAUD AND SCAMS





# Using digital to help protect customers.

Social

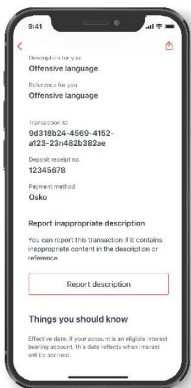


## ABUSIVE PAYMENTS

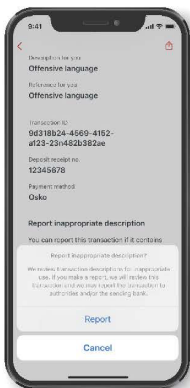
- 24,000 blocks, requiring a change of language (19,000 customers)
- 800+ warning letters, suspended, cancelled banking
- 70+ customers reported to authorities

## NEW MEASURES AGAINST ABUSIVE MESSAGES IN PAYMENTS

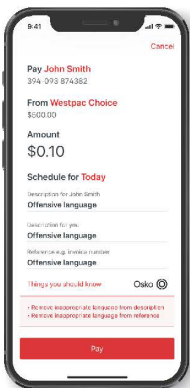
Extra steps to keep Australians safe and protected online



Reporting function



Reporting function



Monitoring and blocking function

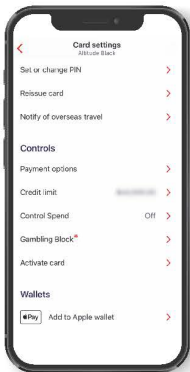


## GAMBLING BLOCK

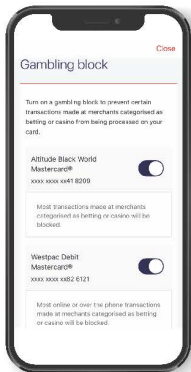
- 120,000+ visits to the digital gambling block page
- 30,000+ consumer debit and credit cards using the block

## GAMBLING BLOCK – HELPING AUSSIES WHEN IT’S TIME TO STOP

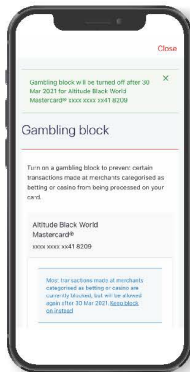
Introducing ways to help prevent unwanted payments



Gambling Block available via card settings in Mobile banking



Turning on the Gambling Block



Turning off the Gambling Block

# Respecting human rights.

Social



## HUMAN RIGHTS POSITION STATEMENT AND ACTION PLAN

### Our principles

1. We respect human rights
2. We assess our human rights impacts
3. We integrate human rights considerations into our business and relationships
4. We provide access to remedy when appropriate
5. We engage with stakeholders on human rights
6. We aim to be transparent and provide accurate and timely disclosure



## MODERN SLAVERY

### Recent Actions:

- Released Modern Slavery report under Australian requirements
- Reviewed and updated supplier screening process
- Expanded training to better identify issues and potential risks
- Refreshed ESG Credit Risk Policy





# UN guiding principles on human rights - Access to remedy

Social



## SAFER CHILDREN, SAFER COMMUNITIES

- Roundtable of experts in human rights, child safety, online safety, and law enforcement
- Program is designed to achieve long-term impact in addressing child safety
- Sustained approach based on outcomes and longer-term impact
- Providing \$24m to Save the Children Australian and International Justice Mission in the Philippines (over 3 – 6 years)
- Committed \$18m funding to 50 organisations in our 2020 and 2021 impact grants rounds



## CHILDREN IN THE PICTURES (THREE-YEAR IMPACT CAMPAIGN)

- Increasing awareness of the issue of online sexual exploitation of children
- Educate and empower parents/caregivers to protect children from online harm
- Remove barriers to identify perpetrators and rescue children
- Providing \$1m to support the campaign



## SAVE THE CHILDREN (PHILIPPINES) (BETWEEN JANUARY – JUNE 2021)

- 687 participants trained on online exploitation issues
- 2,648 students participated in online safety campaigns
- Policy discussions initiated with 8 government agencies

# Environment

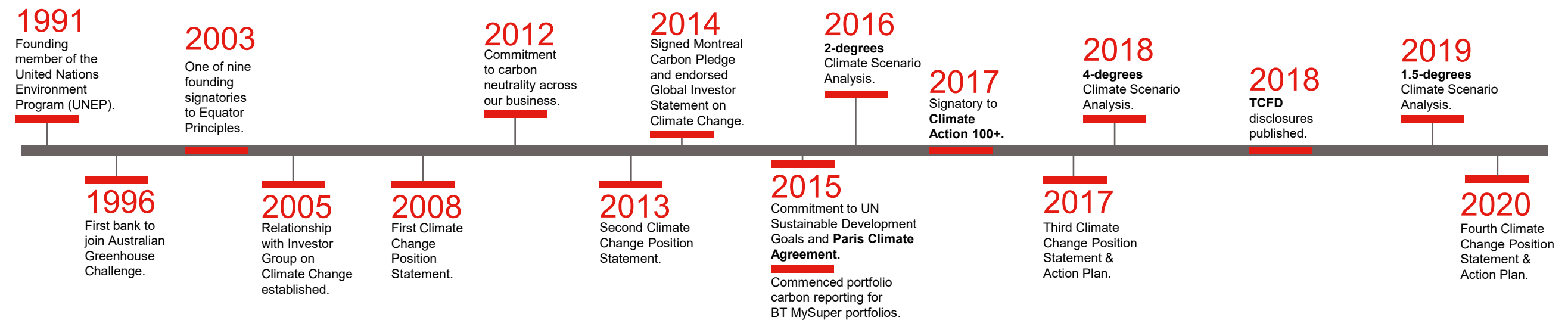
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**Anthony Miller**

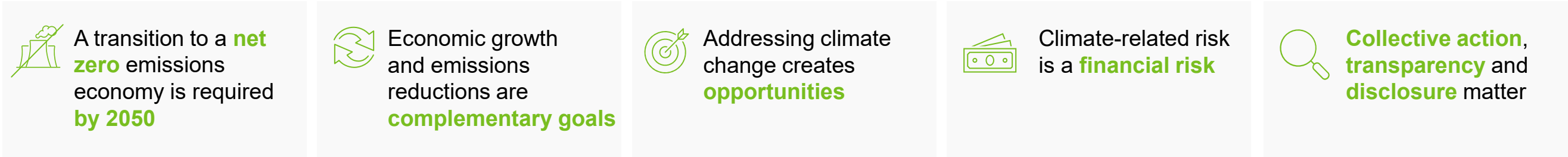
Chief Executive, Westpac Institutional Bank

# Our commitment and principles on climate change.

## Westpac has a long history of action on climate change



## The principles underpinning our climate strategy



# Our actions on climate change.

Environment

## OUR ACTIONS AND PERFORMANCE



### HELP CUSTOMERS AND COMMUNITIES RESPOND TO CLIMATE CHANGE

- Aim to provide \$3.5bn of new lending to climate change solutions by 2023
- Ensure financing to electricity generation sector supports Paris-aligned transition pathways to a net zero emissions economy by 2050
- Continue to support our existing thermal coal mining customers<sup>1</sup>, managing our portfolio in line with a commitment to reduce our exposure to zero by 2030
- Update our Paris-aligned financing strategies and portfolio targets, annually
- Provide products and services to help customers reduce energy consumption and improve the resilience of their homes
- Help communities become more resilient to climate change and transition to a low carbon economy

Reduced the emissions intensity of lending to electricity sector to one third of the Australian National Electricity Benchmark

Applied strong lending standards in the thermal coal sector, transitioning lending to focus on metallurgical coal and high-quality thermal coal, and ceasing funding for expansion of thermal coal mining in new basins. Committed to no thermal coal mining exposure by 2030

Increased the share of renewables in lending to electricity generation sector, from 59% to 75% since 2016

Lending to climate change solutions up from \$6bn to \$10bn since 2016

Developed a range of innovative products including sustainability-linked bonds and loans and the world's first certified Green Tailored Deposit.



### IMPROVE THE CLIMATE CHANGE PERFORMANCE OF OUR OPERATIONS

- Target emissions reductions for our operations in alignment with a science-based trajectory

On track to reduce our Scope 1 and 2 emissions by 50% and Scope 3 supply chain emissions by 15% compared to 2016 baseline for FY21

Committed to source the equivalent of 100% of our electricity from renewable sources by 2025 and joined RE100

Supported the development of a new solar facility as part of our transition to renewables, creating local jobs in regional Australia



### SUPPORT INITIATIVES AND POLICIES TO ACHIEVE THE GOALS OF THE PARIS AGREEMENT

- Support policy outcomes aligned to net zero emissions by 2050

First Australian bank to support the Paris Agreement

Founding member of the UN Environment Programme Finance Initiatives of the Principles for Responsible Banking

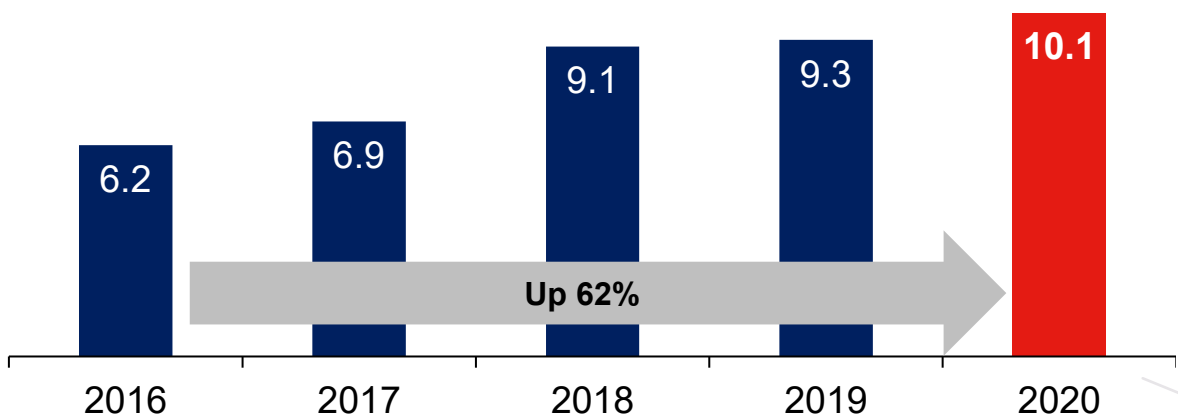
Founding member of the Australian Sustainable Finance Initiative

<sup>1</sup> Including subsidiaries of existing customers, with thermal coal mining customers defined as those generating more than 25% of revenues from the sale of thermal coal, or in the case of a stand-alone mine, more than 35% of volumes from thermal coal. All other coal mining or mines are deemed as metallurgical.

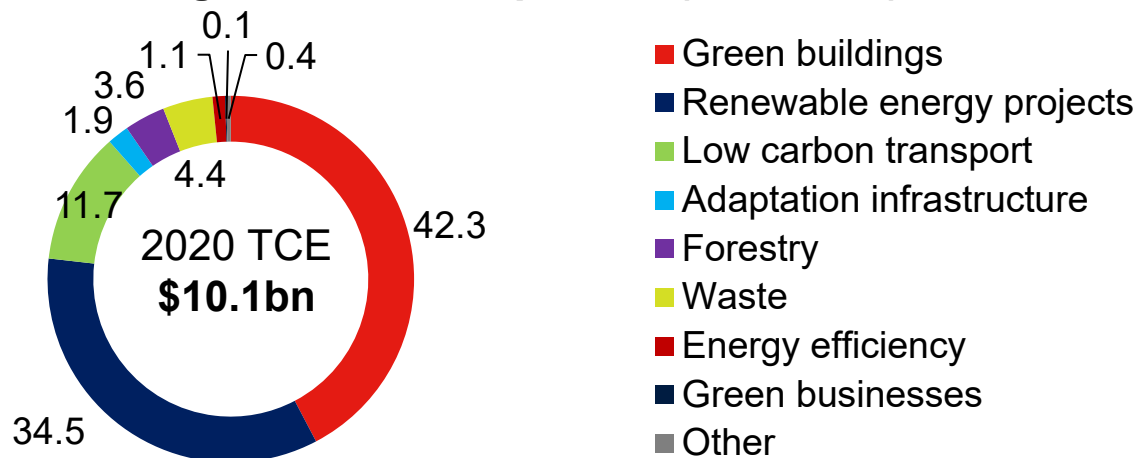
# The transition to net zero – an evolving portfolio

Environment

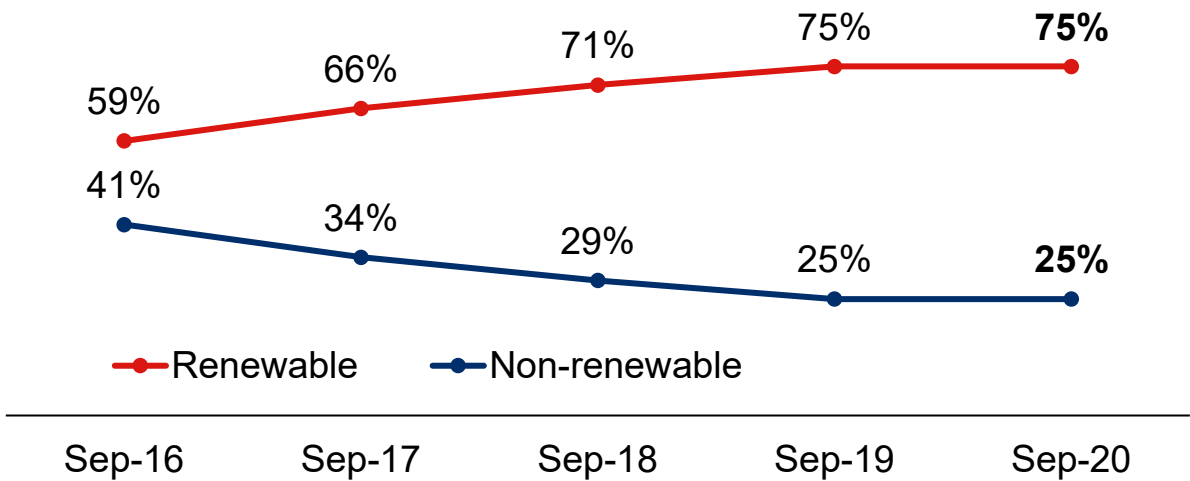
TCE to climate change solutions<sup>1</sup> (\$bn)



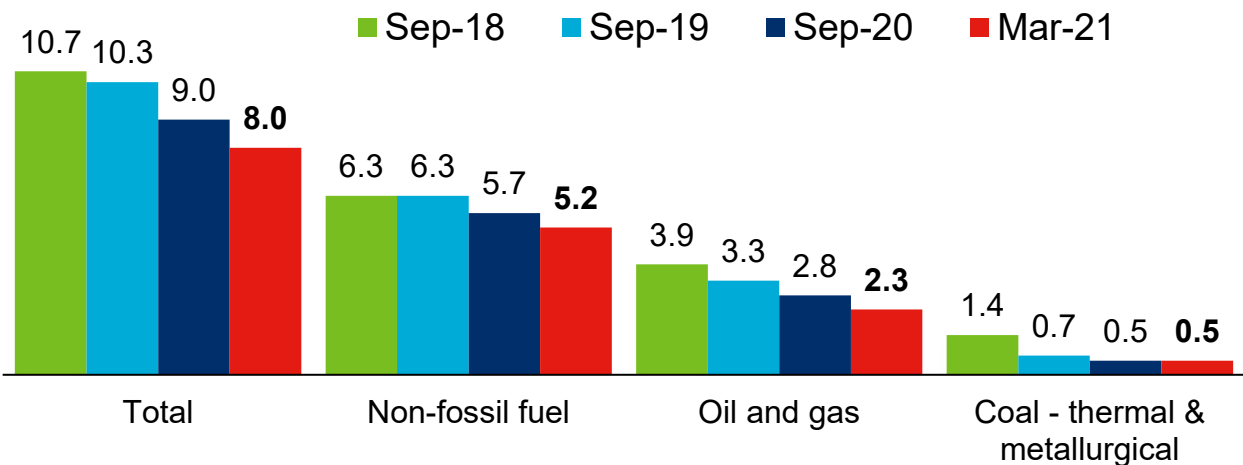
Climate change solutions exposure (% of TCE)



Lending to electricity generation (% of total)



Mining TCE (\$bn)<sup>2,3</sup>



<sup>1</sup> Climate solutions definition is available in our 2020 Sustainability Datasheet glossary. <sup>2</sup> The reduction in lending to oil and gas extraction from Sept 2020 includes the consolidation of Westpac's international operations. <sup>3</sup> Lending to thermal coal mining is 56% of total coal mining in Westpac Institutional Bank.

# Climate portfolio assessment.

Environment

## Assessed emissions intensive sectors

Electricity generation	<b>Paris-aligned portfolio emissions targets</b> <ul style="list-style-type: none"> <li>• 0.25t CO<sub>2</sub>e/MWh at Sep 2020</li> <li>• 0.23t CO<sub>2</sub>e/MWh by 2025</li> <li>• 0.18t CO<sub>2</sub>e/MWh by 2030</li> </ul>
Thermal coal mining	<b>No exposure by 2030</b> <ul style="list-style-type: none"> <li>• No new thermal customers</li> <li>• No new basins</li> <li>• Criteria for existing customers</li> </ul>
Oil and gas exploration, extraction and refining	<ul style="list-style-type: none"> <li>• New lending customers must publicly disclose Paris-aligned goals</li> <li>• Support existing customers to transition</li> </ul>

## Assessed climate vulnerable parts of our portfolio

Consumer mortgages	<ul style="list-style-type: none"> <li>• Helping customers prepare for natural disasters</li> <li>• Physical risk assessment on Australian mortgage portfolio under RCP<sup>1</sup> 8.5 scenario</li> </ul>	Develop tools, insights and products to support <ul style="list-style-type: none"> <li>• Increased climate resilience</li> <li>• Energy efficiency upgrades</li> </ul>
Agribusiness	<ul style="list-style-type: none"> <li>• Begun assessing physical risk in Australian portfolio, focusing on grains, animal protein and dairy</li> </ul>	<ul style="list-style-type: none"> <li>• Develop strategies to assist customers to meet the challenges of climate change</li> </ul>

## From 2022....

We are seeking to develop Paris-aligned financing strategies and portfolio targets, particularly for sectors representing the majority of our financed emissions. We will work with customers and industry experts and provide annual updates on progress that will include consideration of

- APRA's Climate Vulnerability Assessment
- the IEA Net Zero by 2050 Report
- the IPCC Sixth Assessment Report
- the UNEPFI Net Zero Banking Alliance framework
- post COP26 policy settings and outlook
- the impact on the bank and customers, including in hard-to-abate sectors

1. Intergovernmental Panel on Climate Change (IPCC) RCP8.5 scenario – a high emissions climate change scenario

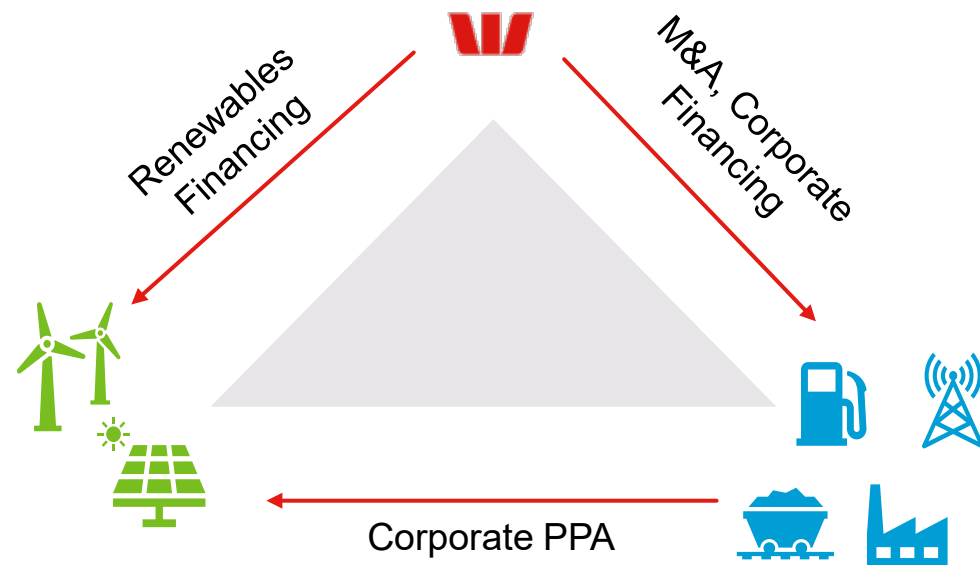
# Opportunity to support customers in their transition.

Environment



## RENEWABLES FINANCING

- Largest financier to greenfield renewable energy projects in Australia<sup>1</sup>. Supporting over 24 projects since 2016, powering ~2.7m households<sup>2</sup>
- In past 12 months financed 8 greenfield projects, enough to power 800,000 homes<sup>2</sup>
- Using corporate PPAs<sup>3</sup> to support clients from hard-to-abate sectors including mining, fuel retailing, steel manufacturing and telecommunications



1 IJ Global. 2 Westpac Research. 3 Power Purchase Agreements.



## SUSTAINABILITY-LINKED FINANCING

### Notable Transactions



Lead sustainability coordinator for the first Sustainability-Linked Bond in Australia



Sole sustainability structurer for sustainability linked loan for a customer in a hard-to-abate sector

# Questions

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**Andrew Bowden**  
Head of Investor Relations



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All amounts are in Australian dollars unless otherwise indicated.

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We use words such as 'will', 'may', 'expect', 'intend', 'seek', 'would', 'should', 'could', 'continue', 'plan', 'estimate', 'anticipate', 'believe', 'probability', 'risk', 'aim', or other similar words to identify forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond our control, and have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with our expectations or that the effect of future developments on us will be those anticipated. Actual results could differ materially from those which we expect, depending on the outcome of various factors. Factors that may impact on the forward-looking statements made include, but are not limited to, those described in the section titled 'Risk factors' in Westpac's 2021 Interim Financial Results (incorporating the requirements of Appendix 4D) for the six months ended 31 March 2021 available at [www.westpac.com.au](http://www.westpac.com.au). 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. Except as required by law, we assume no obligation to update any forward-looking statements contained in this presentation, whether as a result of new information, future events or otherwise, after the date of this presentation.