# Westpac Banking Corporation - Climate Change 2018

## C0. Introduction

### C0.1

**(C0.1) Give a general description and introduction to your organization.**

Westpac Group ("Westpac") is a financial services company with operations in Australia, New Zealand (NZ), the United Kingdom (UK) & the near Pacific region & maintains offices in other key financial centres around the world. Westpac is ranked in the top 5 listed companies by market capitalisation (approx. $100bn) on the Australian Securities Exchange. Westpac has over 633,000 shareholders, 13 million customers and 35,096 employees as at 30 Sept2017). Westpac has five customer facing divisions: Consumer Bank, Business Bank, BT Financial Group (BTFG), Westpac Institutional Bank (WIB) and Westpac New Zealand (WNZL). Consumer Bank is responsible for sales and service of its consumer customers in Australia, covering all consumer banking products and services under the Westpac, St.George, BankSA, Bank of Melbourne and RAMS brands. Business Bank is responsible for sales and service to micro, small-to-medium enterprises and commercial business customers in Australia (for facilitates up to approximately $150 million) under the Westpac, St.George, Bank of Melbourne, BankSA brands and Capital Finance. The division also provides specialist services for cash flow finance, trade finance, automotive and equipment finance, property finance, treasury and auto finance loans. BTFG is Westpac's Australian wealth and insurance business, responsible for the manufacture and distribution of investment, superannuation, retirement products, wealth administration platforms, private banking, margin lending and equities broking as well as the manufacture and distribution of life, general and lenders mortgage insurance. WIB delivers a broad range of financial products and services to commercial, corporate, institutional and government customers with connections to Australia and New Zealand. Customers are supported through branches and subsidiaries located in Australia, New Zealand, Asia, the United States and the United Kingdom. WIB is also responsible for the Group's Pacific Banking operations providing a full range of banking services in Fiji and Papua New Guinea. WNZL is responsible for sales and service of banking, wealth, and insurance products for consumer, business and institutional customers in New Zealand, operating under the Westpac New Zealand, Westpac Life and BT brands.

Westpac's vision is 'to be one of the world's great service companies helping our customers, communities and people to prosper and grow'. Achieving this requires us to manage our direct & indirect environmental impacts, including dealing with the critical issue of climate change. Climate change will have significant economic, social & environmental impacts in the regions in which we operate. This means that our investment, lending & operational decisions must take these impacts into account. We were among the first Australian companies to take action on climate change: publicly reporting our emissions since 1996; responding to the CDP each year since it began; and we have a strong history of calling for early action on climate change from government and the broader business community. In 2017 Westpac Group released its third Climate Change Position Statement and 2020 Action Plan. This follows our first and second Climate Change Position Statements published in 2008 and 2014, and reflects the substantive program of work we have implemented. This updated Climate Change Position Statement confirms the principles underpinning our approach including recognising the financial risks and opportunities of climate change. It also includes our 2020 Action Plan, outlining the next phase of actions we are taking to meet our commitment to operate a manner consistent with limiting global warming to less than two degrees Celsius above pre-industrial levels. It was developed following extensive internal & external stakeholder consultation and conduct of scenario analysis to assess the risks and opportunities of transitioning to a two degree economy. It was approved by the Group Executive & Westpac Board. It includes actions linked to our customer relationships, operational footprint, reporting and disclosure and contribution to policy and regulatory development.

The governance of our direct footprint including eco-efficiency targets linked to Greenhouse Gas Emissions, renewable energy, waste management, water, paper and carbon neutrality is overseen by our Group-wide Environment Management Committee (EMC) established in November 2012. Our Climate Change Solutions Committee oversees initiatives to meet our 2020 and 2030 climate solutions lending targets and our Climate Change Risk Committee oversees regulatory, legal, credit and other climate-related risks. Overall we continue to drive awareness & action in the community & among business & policymakers to help in the transition to a two degree carbon economy. For further information on the Group see http://www.westpac.com.au/about-westpac/

## C0.2

**(C0.2) State the start and end date of the year for which you are reporting data.**

| | Start date | End date | Indicate if you are providing emissions data for past reporting years | Select the number of past reporting years you will be providing emissions data for |
|---|---|---|---|---|
| Row 1 | July 1 2016 | June 30 2017 | Yes | 3 years |
| Row 2 | | | <Not Applicable> | <Not Applicable> |
| Row 3 | | | <Not Applicable> | <Not Applicable> |
| Row 4 | | | <Not Applicable> | <Not Applicable> |

## C0.3

**(C0.3) Select the countries/regions for which you will be supplying data.**

Australia
Fiji
New Zealand
Papua New Guinea
United Kingdom of Great Britain and Northern Ireland

## C0.4

**(C0.4) Select the currency used for all financial information disclosed throughout your response.**

AUD

## C0.5

**(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your consolidation approach to your Scope 1 and Scope 2 greenhouse gas inventory.**

Operational control

# C1. Governance

## C1.1

**(C1.1) Is there board-level oversight of climate-related issues within your organization?**

Yes

## C1.1a

### (C1.1a) Identify the position(s) of the individual(s) on the board with responsibility for climate-related issues.

| Position of individual(s) | Please explain |
|---|---|
| Board/Executive board | The highest level of direct responsibility for climate change at Westpac Group is the Board. The Westpac Banking Corporation's Board Charter states that the key responsibilities of the Board include considering the social, ethical and environmental impacts of the Westpac Group's activities, setting standards and monitoring compliance with Westpac's sustainability policies and practices. Westpac Group's Environmental Policy, updated in 2014, states that the Policy includes our management of issues associated with climate change. Furthermore, Westpac Group's third Climate Change Position Statement covers the management of our direct carbon footprint, criteria to manage the carbon impact of lending to emissions intensive sectors, measuring and reporting of our performance and the incorporation of climate change considerations into our risk management framework. This refreshed Position Statement was approved by the Group Executive and Westpac Board in 2017. |
| Chief Executive Officer (CEO) | The person with direct responsibility for climate change on the Westpac Group Board is the CEO. The rationale for this approach lies in Westpac's longstanding recognition that climate change is one of the most significant issues that will impact the long-term prosperity of our economy and way of life and that meeting our commitment to 2 degree economy requires a whole-of-business strategy. This includes lending targets to back climate change solutions for 2020 ($10bn) and 2030 ($25bn); risk management to support businesses that manage their climate-related risks; product development to help individual customers respond to climate change; continued commitment to improve disclose of our climate change performance and advocacy for policies that stimulate investment in climate change solutions. This plan was approved and endorsed by the Westpac Group Board and the Executive Team. Performance forms part of 10% of the overall short term incentive in the CEO's scorecard (per Annual Report) |

## C1.1b

### (C1.1b) Provide further details on the board’s oversight of climate-related issues.

| Frequency with which climate-related issues are a scheduled agenda item | Governance mechanisms into which climate-related issues are integrated | Please explain |
|---|---|---|
| Scheduled – some meetings | Reviewing and guiding strategy<br>Reviewing and guiding major plans of action<br>Reviewing and guiding risk management policies<br>Reviewing and guiding annual budgets<br>Reviewing and guiding business plans<br>Setting performance objectives<br>Monitoring implementation and performance of objectives<br>Overseeing major capital expenditures, acquisitions and divestitures<br>Monitoring and overseeing progress against goals and targets for addressing climate-related issues | Strategy: Westpac has long recognised that climate change is one of the most significant issues that will impact the long-term prosperity of the economy and way of life. 2018 marks a decade since the Group released its first climate change action plan. Since then, Westpac has continued to integrate the consideration of climate-related risks and opportunities into business operations. This includes alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which the Group CEO has publically committed to support. Major plans of action: The Group’s third Climate Change Position Statement and 2020 Action Plan was approved by the Group Executive and the Board in 2017. It covers the management of Westpac’s direct carbon footprint, criteria to manage the carbon impact of lending to emissions intensive sectors, measuring and reporting of performance, and the incorporation of climate change considerations into the Group’s risk management framework. Risk management policies: Climate change considerations are embedded in a number of risk management frameworks. Our Group Sustainability Risk Management Framework, approved by the Board Risk & Compliance Committee guides the identification, management & monitoring of risks, including climate change risks at all levels of the organisation & across all parts of the business. Annual budgets: In 2016, the Group analysed the financial and reputational implications of transitioning to a two-degree economy under three scenarios to understand the longer term impacts to the Australian economy, including risks and opportunities for the Group. As a result of this Board-supported work Westpac enhanced its approach to climate change related risks and opportunities through its Climate Change Position Statement and 2020 Action Plan. Setting and monitoring performance objectives: Progress against our Sustainability Strategy and Climate Change Action Plan is reported to and discussed with the Executive Team and Westpac Board at least twice a year. Capex, acquisitions and divestitures with significant financial or reputational climate-related risks are subject to Board approval. Goals and targets: Westpac’s 2020 Climate Change Action Plan sets out goals and targets for climate-related issues. Progress is reported to and discussed with the Executive Team and Westpac Board at least twice a year. |

## C1.2

**(C1.2) Below board-level, provide the highest-level management position(s) or committee(s) with responsibility for climate-related issues.**

| Name of the position(s) and/or committee(s) | Responsibility | Frequency of reporting to the board on climate-related issues |
|---|---|---|
| Chief Procurement Officer (CPO) | Both assessing and managing climate-related risks and opportunities | Half-yearly |
| Chief Risks Officer (CRO) | Both assessing and managing climate-related risks and opportunities | Half-yearly |
| Sustainability committee | Both assessing and managing climate-related risks and opportunities | Quarterly |
| Other committee, please specify (Climate Change Risk Committee) | Other, please specify (Managing and assessing climate risk) | Quarterly |
| Other committee, please specify (Climate Solutions Committee) | Other, please specify (Managing and assessing climate solutions) | More frequently than quarterly |
| Other committee, please specify (Environment Management Committee) | Other, please specify (Environmental footprint) | Quarterly |

## C1.2a

**(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored.**

Management of climate change at the Board and CEO level is cascaded to Group Executives.

Key responsibilities include: targets to provide finance to back climate change solutions or lending to 2020 ($10bn) and 2030 ($25bn); risk management to support businesses that manage their climate-related risks; product development to help individual customers respond to climate change; continued commitment to improve disclose of our climate change performance and advocacy for policies that stimulate investment in climate change solutions.

Executive accountability is set out in the sustainability scorecard. Christine Parker, Group Executive Human Resources & Corporate Affairs was responsible for Corporate Affairs & Sustainability during the period, which coordinates the Group’s response to climate change. Gary Thursby, Group Executive, Strategy and Enterprise Services was responsible for group operations, property and commercial services during the year. This includes a number of energy efficiency targets within the Group Sustainability Strategy, as well as the bank's Carbon Neutral program.

The Sustainability Council brings together senior leaders from across the Group with explicit responsibility for managing our sustainability agenda including climate change. The Council meets at least quarterly and has climate change as a fixed agenda item. The Council reports to the Board twice a year.

The Council has oversight of Committees established to oversee particular aspects of the Group’s climate change action plan. This includes our Climate Change Solutions Committee which meets at least quarterly and is focused on initiatives to achieve Westpac’s targets for lending to the clean-tech sector - $10bn by 2020 and $25bn by 2030. Our Climate Change Risk Committee has oversight over the credit, regulatory and legal risks of climate change including scenario analysis and reports to the Council on a quarterly basis. Our Environment Management Committee oversees strategies and initiatives to reduce the Group’s environmental footprint, particularly targets around energy and emissions and reports to the Council on a quarterly basis. Subject matter experts, are tasked with overseeing various elements of these Committees' workplans.

## C1.3

**(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?**

Yes

## C1.3a

**(C1.3a) Provide further details on the incentives provided for the management of climate-related issues.**

**Who is entitled to benefit from these incentives?**
Chief Executive Officer (CEO)

**Types of incentives**
Monetary reward

**Activity incentivized**
Other, please specify (Westpac 2020 Climate Change Action Plan)

**Comment**
Our approach to managing climate change at the CEO level is linked to Westpac's Climate Change Action Plan which includes: targets to provide finance to back climate change solutions or lending to 2020 ($10bn) and 2030 ($25bn); risk management to support businesses that manage their climate-related risks; product development to help individual customers respond to climate change; continued commitment to improve disclose of our climate change performance and advocacy for policies that stimulate investment in climate change solutions. This plan was approved and endorsed by the Westpac Group Board and the Executive Team. Sustainability, including Westpac's response to key issues such as climate change and the achievement of our public targets and commitments forms part of 10% of the overall short term incentive in the CEO's scorecard, outlined in our Annual Report. This is cascaded to the Group Executives. In 2017 the CEO's STI Cash Payment was $1,490,730, Fixed Remuneration was $2,686,000, and Total Remuneration was $6,681,720.

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**Who is entitled to benefit from these incentives?**
Corporate executive team

**Types of incentives**
Monetary reward

**Activity incentivized**
Other, please specify (Westpac Climate Change Action Plan)

**Comment**
Our approach to managing climate change is linked to Westpac's Climate Change Action Plan which includes: targets to provide finance to back climate change solutions or lending to 2020 ($10bn) and 2030 ($25bn); risk management to support businesses that manage their climate-related risks; product development to help individual customers respond to climate change; continued commitment to improve disclose of our climate change performance and advocacy for policies that stimulate investment in climate change solutions. This plan was approved and endorsed by the Westpac Group Board and the Executive Team. Responsibility for execution of different elements of this plan is cascaded from the Board to members of the group executive and is set out in the sustainability scorecard. Christine Parker, Group Executive Human Resources & Corporate Affairs was responsible for Corporate Affairs & Sustainability during the period, overseeing teams which coordinate the Group's response to climate change. In 2017, Christine Parker's fixed Remuneration was $824,006, STI Cash Payment was $517,500, and total Remuneration was 2,093,750. Gary Thursby, Group Executive, Strategy and Enterprise Services was responsible for group operations, property and commercial services during the year. This includes a number of energy efficiency targets within the Group Sustainability Strategy, as well as the bank's Carbon Neutral program. In 2017 Gary Thursby's fixed Remuneration was $820,262, STI. Cash Payment was $485,000, and total remuneration was $1,948,120.

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**Who is entitled to benefit from these incentives?**
Management group

**Types of incentives**
Monetary reward

**Activity incentivized**
Other, please specify (Westpac Climate Change Action Plan)

**Comment**
The extent of managers' financial remuneration, including members of the Sustainability Council and its working committees, is dependent on the management of climate change issues, including the attainment of targets. The management of climate change issues includes the identification, prioritisation and response to those issues, through our Climate Change Position Statement, and the attainment of targets included in both our Sustainability Strategy and the Statement. Delivery on sustainability objectives may account for up tor 50-80% of short term incentives.

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**Who is entitled to benefit from these incentives?**
All employees

**Types of incentives**
Monetary reward

**Activity incentivized**
Other, please specify (Westpac Climate Change Action Plan)

**Comment**
The CEO Community and Environment Awards recognise both an individual employee and a team which have demonstrated outstanding support for their community, or the environment including through one or more not-for-profit organisations. This includes causes which relate to climate change. The winners of our Community and Environment Awards are people who have gone beyond what is expected and have made a sustained contribution to one or more not-for-profit organisations, giving generously of their time, capabilities and commitment. Both the individual and team Award winners will receive a donation of $10,000 for their chosen community organisation or environmental cause. In NZ our Legends month, quarterly and annual awards ‘Our Tomorrow’ category recognises individuals that have played a key role in their communities or for the environment, including issues associated with climate change, over and above expectations of their day job. There is a small financial component that goes with this - items or vouchers to the value of $100 for monthly and quarterly Legends and $500 for annual Legends, with the opportunity for top Legend to receive an additional $5700.

## C2. Risks and opportunities

### C2.1

**(C2.1) Describe what your organization considers to be short-, medium- and long-term horizons.**

| | From (years) | To (years) | Comment |
|---|---|---|---|
| Short-term | 0 | 3 | We have undertaken climate change scenario analysis to understand the impacts to the Australian and New Zealand economies, including risks and opportunities for Westpac, of limiting global warming to less than two degrees Celsius. This analysis was conducted over short, medium and long term horizons, directly aligning with business practices including the setting of business targets for 2020, 2030 and 2050. In Australia three scenarios were identified representing plausible pathways to a low carbon economy based on different approaches to global cooperation and timing of action. Each scenario includes assumptions for technological, social, economic and environmental factors, including regarding carbon pricing. The scenarios were based on existing and known technologies due to the difficulty in accurately modelling the impact of unknown innovations. To provide an indicative view of the impact on the Australian economy, we analysed a number of financial and reputational metrics under each scenario across all major sectors. The financial metrics allowed us to consider the financial competitiveness of each sector in response to the economy-wide transition to a low carbon future. In New Zealand two scenarios consistent with achieving a two-degree future were modelled and analysed. The scenarios were: central scenario of an earlier and smoother phased action; and a shock scenario of a decade or more delay in action follow by a shock event driving rapid action to meet NZ targets. The outcomes of the analysis were central to informing our governance, strategy, risk management and target setting as articulated in our Climate Change Position Statement & 2020 Action Plan and 2018-2020 Sustainability Strategy which set climate-related targets for short medium and long-term horizons, including: Short-term horizon: - lending to climate change solutions: $10bn by 2020 - facilitation of $3bn in climate change solutions by 2020 - reduce the emissions intensity of our lending to the electricity generation sector to 0.30 tCO2e/MWh by 2020 - limit lending to thermal coal mining based on stringent quality criteria - 9% reduction in Scope 1 and 2 Greenhouse Gas Emissions by 2020 - Reduce operational emissions by 25% by 2020 (NZ) - Provide NZD2bn in lending to climate change solutions (NZ – part of Group target) - Convert 30% of car fleet to electric vehicles or PHeV (NZ) |
| Medium-term | 3 | 10 | We have undertaken climate change scenario analysis to understand the impacts to the Australian and New Zealand economies, including risks and opportunities for Westpac, of limiting global warming to less than two degrees Celsius. This analysis was conducted over short, medium and long term horizons, directly aligning with business practices including the setting of business targets for 2020, 2030 and 2050. In Australia three scenarios were identified representing plausible pathways to a low carbon economy based on different approaches to global cooperation and timing of action. Each scenario includes assumptions for technological, social, economic and environmental factors, including regarding carbon pricing. The scenarios were based on existing and known technologies due to the difficulty in accurately modelling the impact of unknown innovations. To provide an indicative view of the impact on the Australian economy, we analysed a number of financial and reputational metrics under each scenario across all major sectors. The financial metrics allowed us to consider the financial competitiveness of each sector in response to the economy-wide transition to a low carbon future. In New Zealand two scenarios consistent with achieving a two-degree future were modelled and analysed. The scenarios were: central scenario of an earlier and smoother phased action; and a shock scenario of a decade or more delay in action follow by a shock event driving rapid action to meet NZ targets. The outcomes of the analysis were central to informing our governance, strategy, risk management and target setting as articulated in our Climate Change Position Statement & 2020 Action Plan and 2018-2020 Sustainability Strategy which set climate-related targets for short medium and long-term horizons, including: Medium-term horizon: - lending to climate change solutions: $25bn by 2030; - 34% reduction in Greenhouse Gas Emissions by 2030 |
| Long-term | 10 | 30 | We have undertaken climate change scenario analysis to understand the impacts to the Australian and New Zealand economies, including risks and opportunities for Westpac, of limiting global warming to less than two degrees Celsius. This analysis was conducted over short, medium and long term horizons, directly aligning with business practices including the setting of business targets for 2020, 2030 and 2050. In Australia three scenarios were identified representing plausible pathways to a low carbon economy based on different approaches to global cooperation and timing of action. Each scenario includes assumptions for technological, social, economic and environmental factors, including regarding carbon pricing. The scenarios were based on existing and known technologies due to the difficulty in accurately modelling the impact of unknown innovations. To provide an indicative view of the impact on the Australian economy, we analysed a number of financial and reputational metrics under each scenario across all major sectors. The financial metrics allowed us to consider the financial competitiveness of each sector in response to the economy-wide transition to a low carbon future. In New Zealand two scenarios consistent with achieving a two-degree future were modelled and analysed. The scenarios were: central scenario of an earlier and smoother phased action; and a shock scenario of a decade or more delay in action follow by a shock event driving rapid action to meet NZ targets. The outcomes of the analysis were central to informing our governance, strategy, risk management and target setting as articulated in our Climate Change Position Statement & 2020 Action Plan and 2018-2020 Sustainability Strategy which set climate-related targets for short medium and long-term horizons, including: Long-term horizon: - Aligned with the methodology to set science-based target for scope 1 and scope 2 emissions aligned to our commitment to support the transition to a net zero economy by 2050. - We are part of the Science Based Targets Expert Advisory Group for financial institutions to assist the banking sector to define a methodology for science-based targets for Scope 3 (financed) emissions. |

## C2.2

**(C2.2) Select the option that best describes how your organization's processes for identifying, assessing, and managing climate-related issues are integrated into your overall risk management.**

Integrated into multi-disciplinary company-wide risk identification, assessment, and management processes

## C2.2a

### (C2.2a) Select the options that best describe your organization's frequency and time horizon for identifying and assessing climate-related risks.

| | Frequency of monitoring | How far into the future are risks considered? | Comment |
|---|---|---|---|
| Row 1 | Six-monthly or more frequently | >6 years | Climate-related risks are identified and assessed on an ongoing basis at company, asset, customer and transaction level in line with Westpac’s multi-disciplinary company-wide risk identification, assessment and management processes. Westpac's Sustainability Council, Environment Management Committee and Climate Change Risk Committee meet on a minimum of a quarterly basis. Climate change including the identification and assessment of climate risks, carbon and energy reduction targets and reporting are fixed agenda items of all committees. Updates are provided to the Westpac Board on a half-yearly basis. Climate risks are considered to 2050 in line with the results of Westpac’s ongoing use of climate scenario analysis and overall commitment to a net-zero carbon Australian economy. |

## C2.2b

**(C2.2b) Provide further details on your organization’s process(es) for identifying and assessing climate-related risks.**

Westpac applies the same rigour in identifying and assessing climate-related risks as in any other transformational issue facing the economy. In line with recommendations of the TCFD, to which Westpac has publicly committed, the Group examines the policy, legal, technology, and market changes related to climate change (transition risks) and the financial impacts of changes in climate patterns and extreme weather events (physical risks). Westpac has long recognised that climate change is one of the most significant issues that will impact the long-term prosperity of the economy and way of life. Westpac was the first Australia bank to recognise the importance of limiting global warming to two degrees and that to do this, global emissions need to reach net zero in the second half of the economy.

Our Sustainability Risk Management Framework approved by the Board Risk & Compliance Committee (BRCC) guides the identification and assessment of climate-related risks at all levels of the organisation (company & asset) and across all parts of the business. At an asset level the requirements of the Framework are translated into local frameworks and policies, for example our WNZL ESG Risk Management Framework, WIB and Business Bank Credit Manuals.

Climate change risks are identified and assessed: at a company level by our Group and WIB Sustainability teams; at an asset level by our WIB, BTFG and Commercial Services Sustainability teams as well as Divisional Line & Risk Management. For credit exposures, climate risks are identified and assessed at a country, sector, customer and transaction level at all stages of the decision making process as guided by our ESG Credit Risk Policy & our Credit Manuals. For our supply chain, climate change risks are assessed through our Responsible Sourcing process. For our properties, climate change risks are identified and assessed through environmental assessments & physical inspections, and through our Business Continuity Planning framework which takes an ‘all hazards’ approach to planning, including those linked to climate. For investment management, climate change risks are identified and assessed in investment decision-making by our fund managers.

Westpac regularly uses scenario analysis to identify and assess climate-related risks over short, medium and long-term horizons. Our analysis examined the impacts to the Australian economy, including risks for Westpac, of limiting global warming to less than two degrees Celsius. We analysed a number of financial and reputational metrics under three scenarios across all major sectors. The financial metrics allowed us to consider and rank the financial competitiveness of each sector in response to the economy-wide transition to a low carbon future. The transition was modelled using a total effective carbon price to represent a range of measures that could be used to achieve the required emissions abatement. Reputational metrics measured the likelihood that the sector will come under scrutiny based on its relative contribution to total national emissions, either in the sector's own operations or downstream product. Similar analysis, including for physical risk was conducted by our New Zealand operations in 2018. In 2018 Westpac Australia will update its scenario analysis to reflect the latest developments in climate risk assessment.

Scenario analysis was effective in identifying, assessing and ranking which sectors of the economy face greatest climate-related risk. The findings were reflected in Westpac's latest Climate Change Position Statement and 2020 Action Plan which outlined enhanced lending criteria for lending to the thermal coal mining, energy and agribusiness sectors. These lending parameters have been included in our Risk Appetite Statement and are applied at the portfolio, customer and transaction level.

In addition to scenario analysis, Westpac identifies and assesses climate-related risks through regular stakeholder, in-house subject matter experts, industry forums and analytics portals. Our stakeholder engagement framework is designed to ensure we maintain a good understanding of the views and expectations that help to define our current and future strategies, including our approach to climate change. Discussions and engagement with our customers, investors, employees, government, suppliers, NGOs, and communities provide essential inputs to our annual materiality assessment which guides our focus for reporting and informs our views on **substantive climate related risks (C2.2d).** Engagement is guided by the AA1000 Stakeholder Engagement Standard and our Stakeholder Engagement Framework sets out our approach to identifying and prioritising stakeholders, the mechanisms we use to ensure meaningful engagement as well as how we communicate our progress in relation to their concerns.

## C2.2c

**(C2.2c) Which of the following risk types are considered in your organization's climate-related risk assessments?**

| | Relevance & inclusion | Please explain |
|---|---|---|

| | Relevance & inclusion | Please explain |
|---|---|---|
| Current regulation | Relevant, always included | Initiatives to mitigate or respond to adverse impacts of climate change may impact market and asset prices, economic activity, and customer behaviour, particularly in geographic locations and industry sectors adversely affected by these changes. Failure to effectively manage these transition risks could adversely affect our business, prospects, reputation, financial performance or financial condition. Westpac applies the same rigour in identifying and assessing climate-related risks as in any other transformational issue facing the economy. Climate-related regulation in our jurisdictions of operation can directly impact our business, our customers and suppliers. For example, in Australia, there are mandatory reporting schemes in relation to emissions and energy efficiency administered at state and national levels against which we report. The key scheme is the Australian National Greenhouse & Energy Reporting Scheme (NGERs). There are potential financial penalties for non-compliance for which Westpac would be liable if not appropriately managed as well as reputational impacts. Climate-related regulatory risks are identified and assessed in our Climate Change Position Statement and 2020 Action Plan and continuously monitored through our Risk Management Framework, scenario analysis, stakeholder consultation, in-house subject matter experts, participation in industry forms and analytical tools. As a public supporter of the TCFD, Westpac will continue to align its approach to climate-related risks with the recommendations of this framework. |
| Emerging regulation | Relevant, always included | Initiatives to mitigate or respond to adverse impacts of climate change may impact market and asset prices, economic activity, and customer behaviour, particularly in geographic locations and industry sectors adversely affected by these changes. Failure to effectively manage these transition risks could adversely affect our business, prospects, reputation, financial performance or financial condition. Westpac applies the same rigour in identifying and assessing climate-related risks as in any other transformational issue facing the economy. Emerging climate-related regulation in our jurisdictions of operation can directly impact our business, our customers and suppliers. For example, in Australia there has been considerable change and uncertainty in the Australian policy response to climate change in the recent past creating market uncertainty. For example, the Australian Government repeal of the Clean Energy Act and introduction of Emissions Reduction Fund and Safeguard Mechanism, the 2016 Australian Federal Election, the 2017 review of the Renewable Energy Target and the current Federal policy proposal of a National Energy Guarantee. The possibility of future changes has created ongoing investment uncertainty for energy and clean energy generation and price volatility in energy and carbon markets. This can impact Westpac's ability to do business in the energy sector and has inhibited forward trading in the energy and carbon market. This market uncertainty will have compliance, cost and revenue implications for market participants, including Westpac. During the reporting period we also noted increasing regulator interest, particularly from APRA, on climate-related risks. Climate-related risks linked to emerging regulations are identified and assessed in our Climate Change Position Statement and 2020 Action Plan and continuously monitored through our Risk Management Framework, scenario analysis, stakeholder consultation, in-house subject matter experts, participation in industry forms and analytical tools. As a public supporter of the TCFD, Westpac will continue to align its approach to climate-related risks with the recommendations of this framework. |
| Technology | Relevant, always included | Initiatives to mitigate or respond to adverse impacts of climate change may impact market and asset prices, economic activity, and customer behaviour, particularly in geographic locations and industry sectors adversely affected by these changes. Failure to effectively manage these transition risks could adversely affect our business, prospects, reputation, financial performance or financial condition. Westpac applies the same rigour in identifying and assessing climate-related risks as in any other transformational issue facing the economy. Technology changes linked to climate change can directly impact our business, our customers and suppliers. For example, our scenario analysis has shown that sectors that are unable to decarbonise through the application of new technology show poorer growth prospects. The sectors that are most likely to be negatively impacted are those that have less ability to decarbonise and where less carbon intensive alternatives offer viable substitutes either directly or through their downstream products. In the longer term, the scenarios indicated that many of these sectors will be sensitive to the availability of cost-competitive carbon capture and storage (CCS) and alternative generation technologies. Climate-related technology risks are identified and assessed in our Climate Change Position Statement and 2020 Action Plan and continuously monitored through our Risk Management Framework, scenario analysis, stakeholder consultation, in-house subject matter experts, participation in industry forms and analytical tools. As a public supporter of the TCFD, Westpac will continue to align its approach to climate-related risks with the recommendations of this framework. |
| Legal | Relevant, always included | Initiatives to mitigate or respond to adverse impacts of climate change may impact market and asset prices, economic activity, and customer behaviour, particularly in geographic locations and industry sectors adversely affected by these changes. Failure to effectively manage these transition risks could adversely affect our business, prospects, reputation, financial performance or financial condition. Westpac applies the same rigour in identifying and assessing climate-related risks as in any other transformational issue facing the economy. Climate-related legal risks can directly impact our business, our customers and suppliers. An example of legal risk specific to companies operating in Australia are company directors facing lawsuits for failing to consider relevant risks which may, in certain situations include risks arising from or related to climate change. Directors who fail to consider climate-related risks may be liable in the future for breaching the duties they owe to their company of care and diligence. Since the Paris Climate Agreement of 2015, there has been an increased focus on such risks for companies and their directors. Recent commentary by Australian regulators (e.g. APRA and ASIC) is indicative of the shift towards considering climate related risks. A further example is the publicly released legal opinion on directors' duties by barrister Noel Hutley SC (commissioned by the Centre for Policy Development and The Future Business Council dated, 7 October 2016). The opinion addresses the potential liability of directors if climate related risks that may affect their companies are ignored. Climate-related legal risks are identified and assessed in our Climate Change Position Statement and 2020 Action Plan and monitored through our Risk Management Framework, scenario analysis, stakeholder consultation, in-house subject matter experts, participation in industry forms and analytical tools. As a public supporter of the TCFD, Westpac will continue to align its approach to climate-related risks with the recommendations of this framework. |
| Market | Relevant, always included | Initiatives to mitigate or respond to adverse impacts of climate change may impact market and asset prices, economic activity, and customer behaviour, particularly in geographic locations and industry sectors adversely affected by these changes. Failure to effectively manage these transition risks could adversely affect our business, prospects, reputation, financial performance or financial condition. Westpac applies the same rigour in identifying and assessing climate-related risks as in any other transformational issue facing the economy. Climate-related market risks can directly impact our business, our customers and suppliers. An example of market risk affecting our business is a shift in demand for certain commodities such as thermal coal. To reach net zero emissions, it is anticipated that the share of thermal coal in the energy mix will decrease and power generation technology will continue to advance and improve. The International Energy Association's (IEA) modelling indicates that under a two degree scenario thermal coal demand will peak in the current decade and decline thereafter. If not managed, such changes in demand can create market risks in Westpac's areas of operation. Climate-related market risks are identified and assessed in our Climate Change Position Statement and 2020 Action Plan which also sets out specific criteria for lending to the thermal coal mining sector. Market risks are continuously monitored through our Risk Management Framework, scenario analysis, stakeholder consultation, in-house subject matter experts, participation in industry forms and analytical tools. As a public supporter of the TCFD, Westpac will continue to align its approach to climate-related risks with the recommendations of this framework. |

| | Relevance & inclusion | Please explain |
|---|---|---|
| Reputation | Relevant, always included | Initiatives to mitigate or respond to adverse impacts of climate change may impact market and asset prices, economic activity, and customer behaviour, particularly in geographic locations and industry sectors adversely affected by these changes. Failure to effectively manage these transition risks could adversely affect our business, prospects, reputation, financial performance or financial condition. Westpac applies the same rigour in identifying and assessing climate-related risks as in any other transformational issue facing the economy. Climate-related reputational risks can directly impact our business, our customers and suppliers. As an example, Westpac analysed the reputational risk impacts associated with climate change as part of its scenario analysis. Reputational metrics measured the likelihood that a sector will come under scrutiny based on its relative contribution to total national emissions, either in the sector's own operations or downstream product. The analysis found that reputational risk is significant where a sector's emissions are relatively high and there is opportunity to reduce those emissions either directly or through product substitution. Climate-related reputational risks are identified and assessed in our Climate Change Position Statement and 2020 Action Plan. Reputational risks are continuously monitored through our Reputation Risk Management Framework, scenario analysis, stakeholder consultation, in-house subject matter experts, participation in industry forms and analytical tools. As a public supporter of the TCFD, Westpac will continue to align its approach to climate-related risks with the recommendations of this framework. |
| Acute physical | Relevant, sometimes included | We, our customers and external suppliers, may be adversely affected by the physical risks of climate change, including increases in temperatures, sea levels, and the frequency and severity of adverse climatic events including fires, storms, floods, and droughts. These effects, whether acute or chronic in nature, may directly impact us and our customers through reputational damage, environmental factors, insurance risk, business disruption and an increase in defaults in credit exposures. As an example, an increase in the severity of tropical cyclones may cause disruption to business delivery and damage to Westpac's own property as well as that of our customers. Based on the findings of the Intergovernmental Panel on Climate Change (IPCC 5) and domestic research undertaken in Australia by the CSIRO and Bureau of Meteorology it can be expected that tropical cyclones in the in the Australian region will increase in intensity due to climate change. This creates credit and portfolio risk from impacted customers and operational risks associated with direct impacts for example through increased claims in our insurance business, increased losses due to customer experience financial stress as well as implications for repair and maintenance of our physical assets. Acute, climate-related physical risks are identified and assessed in our Climate Change Position Statement and 2020 Action Plan and monitored through our Risk Management Framework, scenario analysis – such as that undertaken by our New Zealand business, stakeholder consultation, in-house subject matter experts, participation in industry forms and analytical tools. As a public supporter of the TCFD, Westpac will continue to align its approach to climate-related risks with the recommendations of this framework and expects to undertake further scenario analysis linked to physical risk in 2018. |
| Chronic physical | Relevant, sometimes included | We, our customers and external suppliers, may be adversely affected by the physical risks of climate change, including increases in temperatures, sea levels, and the frequency and severity of adverse climatic events including fires, storms, floods, and droughts. These effects, whether acute or chronic in nature, may directly impact us and our customers through reputational damage, environmental factors, insurance risk, business disruption and an increase in defaults in credit exposures. As an example, larger coastal cities and urban areas may be exposed to rising sea levels and strong storm surges over time. 85% of Australia's population lives in coastal areas. Studies by the CSIRO and Bureau of Meteorology indicate that sea level rise was faster between 1993 and 2011 than during the 20th century as a whole. Continuation or acceleration of this trend, which is indicated under some climate scenarios, may create credit and portfolio risk from impacted customers and operational risk associated with direct impacts for example, through increase claims in our insurance business, increased losses due to customers experiencing financial stress as a result of disaster events as well as implications for operational and maintenance costs. Chronic, climate-related physical risks are identified and assessed in our Climate Change Position Statement and 2020 Action Plan and monitored through our Risk Management Framework, scenario analysis – such as that undertaken by our New Zealand business, stakeholder consultation, in-house subject matter experts, participation in industry forms and analytical tools. As a public supporter of the TCFD, Westpac will continue to align its approach to climate-related risks with the recommendations of this framework and expects to undertake further scenario analysis linked to physical risk in 2018. |
| Upstream | Relevant, always included | Westpac's business is subject to risks, including climate change that can adversely impact its business, reputation, financial performance, financial condition and future performance. This is relevant to investors in our business. As an example, certain standard language in our publicly available statements provide examples of disclosure to investors on risks relating to Westpac including in relation to factors impacted by climate change. This aligns with wider market trends, which increasingly see climate change as a core consideration of capital providers, including to Westpac. Westpac's investor prospectus states that: Westpac and its customers may be adversely affected by the physical risks of climate change, including increases in temperatures, sea levels, and the frequency and severity of adverse climatic events including fires, storms, floods, and droughts. These changes may directly impact Westpac and its customers through reputational damage, environmental factors, insurance risk, and an increase in defaults in credit exposures. Initiatives to mitigate or respond to adverse impacts of climate change may in turn impact market and asset prices, economic activity, and customer behaviour, particularly in geographic locations and industry sectors adversely affected by these changes. Failure to effectively manage these transition risks could adversely affect Westpac's reputation, business, prospects, financial performance or financial condition. [Ref. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/ic/Westpac_Capital_Notes_5_Prospectus.pdf page 69] Upstream climate-related risks are identified and assessed in our Climate Change Position Statement and 2020 Action Plan and monitored through our Risk Management Framework, Investor Relations team, scenario analysis, in-house subject matter experts, participation in industry forms and analytical tools. As a public supporter of the TCFD, Westpac will continue to align its approach to climate-related risks with the recommendations of this framework and the wider expectations of capital providers. |
| Downstream | Relevant, always included | We, our customers and external suppliers, may be adversely affected by the physical risks of climate change, including increases in temperatures, sea levels, and the frequency and severity of adverse climatic events including fires, storms, floods, and droughts. These effects, whether acute or chronic in nature, may directly impact us and our customers through reputational damage, environmental factors, insurance risk, business disruption and an increase in defaults in credit exposures. Initiatives to mitigate or respond to adverse impacts of climate change may in turn impact market and asset prices, economic activity, and customer behaviour, particularly in geographic locations and industry sectors adversely affected by these changes. Failure to effectively manage these transition risks could adversely affect our business, prospects, reputation, financial performance or financial condition. As an example, Westpac recognises that climate change affects our individual customers, their homes and investments. Despite commitments to limit global warming to two degrees, climate change will still cause shifts in weather patterns and increase the frequency and severity of natural disasters. Communities may experience weather events that they are unfamiliar with or for which they are not prepared. We are aware that both physical and transition risks from climate change may affect the performance of investment portfolios to varying degrees across companies, sectors, regions, asset classes and over time. Downstream climate-related risks are identified and assessed in our Climate Change Position Statement and 2020 Action Plan and monitored through our Risk Management Framework, scenario analysis, in-house subject matter experts, participation in industry forms and analytical tools. As a public supporter of the TCFD, Westpac will continue to align its approach to climate-related risks with the recommendations of this framework. |

| | Relevance & inclusion | Please explain |
|---|---|---|

## C2.2d

**(C2.2d) Describe your process(es) for managing climate-related risks and opportunities.**

Westpac has a Board-approved Risk Management Strategy that covers sustainability and reputational risks. This strategy is underpinned by a number of key risk documents on sustainability such as our: Sustainability Risk Management Framework; Reputation Risk Management Framework; Environmental, Social & Governance (ESG) Credit Risk Policy; and Risk Appetite Statement.

When assessing a project or prospective customer our credit officers, deal teams and sustainability specialists screen against: Environmental risks, Social risks, Governance risks, and all relevant Westpac position statements. In addition, we apply the Equator Principles (EP III) to relevant transactions. If the identified ESG risks do not meet Westpac's risk appetite—which includes a requirement to meet the criteria outlined in our position statements—then we will not proceed with the transaction.

Westpac applies the same rigour in managing climate change as in any other transformational issue facing the economy. The highest level of direct responsibility for climate change at Westpac Group lies with the Board. The Group's third Climate Change Position Statement and 2020 Action Plan was approved by the Group Executive and the Board in 2017. It covers the management of Westpac's direct carbon footprint, criteria to manage the carbon impact of lending to emissions intensive sectors, measuring and reporting of performance, and the incorporation of climate change considerations into the Group's risk management framework.

Westpac recognises that climate-related risk can be a financial risk. The Group examines the policy, legal, technology and market changes related to climate change ('transition risks'), and the financial impacts of changes in climate patterns and extreme weather events ('physical risks'). Risks associated with climate change may impact on companies' financial performance and the stability of the financial system.

To manage this risk our Climate Change Position Statement and 2020 Action Plan states that we will support customers in, or reliant on, emissions-intensive sectors that: Assess the financial implications of climate-related risks and opportunities in their business, including how their strategies are likely to perform under various forward-looking scenarios; and demonstrate a rigorous approach to governance, strategy setting, risk management, and reporting on climate-related risks and opportunities. Our Responsible Sourcing framework is used to mitigate climate-related risks in our supply chain.

Scenario analysis was used to understand the longer term impacts to the Australian economy, including risks and opportunities for the Group under plausible pathways to a low carbon economy based on different approaches to global cooperation and timing of action on climate change in both our Australian and New Zealand businesses. Westpac has committed to undertake further climate scenario analysis in 2018 to continue to review exposure to climate-related risks. This scenario analysis along with ongoing monitoring of market developments forms a key part of Westpac's decisions around prioritizing the management of climate risks and opportunities – in particular which risks can be mitigated, transferred, accepted and controlled; and which sectors are likely to offer commercial opportunity.

A specific example of this is the enhanced standards for lending to the thermal coal sector stipulated in our latest Climate Change Position Statement. These updated lending parameters have been included in our Group Risk Appetite and are applied at the portfolio, customer and transaction level and are reported annually in our financial statements.

Westpac recognises that addressing climate change creates financial opportunities. Addressing the impacts of climate change requires investment and a shift in business models. Scenario analysis supported setting lending targets linked to climate-related opportunities: AUD10bn by 2020 and AUD25bn by 2030, as well as an AUD3bn issuance and arrangement target for capital markets products such as green bonds. These targets are captured in our Climate Change Position Statement and 2020 Action Plan and embedded across the business. Progress is reported in our financial statements and sustainability performance report every year.

A specific example of executing on climate-related opportunities is Westpac's current lending to climate solutions of $8.5bn (Total Committed Exposure), the majority of which is to renewable energy and energy efficient assets.

Implementation of Climate Change Action Plan is overseen by our Sustainability Council which reports half-yearly to the Board. Specific responsibilities for actions on climate opportunities and risks are overseen by our Climate Solutions Committee and Climate Risk Committees, respectively. These report to the Sustainability Council every quarter and ultimately to the Board on a half-yearly basis.

## C2.3

**(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?**

Yes

## C2.3a

**(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.**

**Identifier**

Risk 1

**Where in the value chain does the risk driver occur?**

Customer

**Risk type**

Transition risk

**Primary climate-related risk driver**

Market: Uncertainty in market signals

**Type of financial impact driver**

Market: Reduced demand for goods and/or services due to shift in consumer preferences

**Company- specific description**

Regulatory uncertainty exists in all markets where Westpac operates. This can exacerbate regulatory risk in long-term investment decisions and carbon markets, impacting our understanding of client exposure; pricing risk in transactions and through financial markets trading carbon. This risk could decrease revenues in parts of our business focused on energy, commodities and carbon trading. There has been significant change and uncertainty in the Australian policy response to climate change in the recent past creating change and market uncertainty with compliance and revenue obligations for market participants. e.g. the Australian Government repeal of the Clean Energy Act and introduction of Emissions Reduction Fund Safeguard Mechanism, the 2016 Australian Federal Election, the 2017 review of the Renewable Energy Target and more recently, the design of a National Energy Guarantee. The possibility of future changes has created ongoing investment uncertainty for energy clean energy generation and price volatility in energy and carbon markets. This can impact Westpac’s ability to do business in the renewable energy sector as well as inhibit forward trading in the energy and carbon market. This market uncertainty can have compliance, cost and revenue implications for market participants, including Westpac, its customers and suppliers.

**Time horizon**

Current

**Likelihood**

Likely

**Magnitude of impact**

Low

**Potential financial impact**

0

**Explanation of financial impact**

The magnitude of potential financial impact connected to this risk, whilst not quantified exactly, is considered low given the composition of our loan portfolio and nature of operations.

**Management method**

- Ongoing monitoring and management of emerging regulatory developments. - ESG Credit Risk Policy, with assessment of carbon risk at a country, industry, customer and transaction level. - Engagement with policy makers and customers around regulatory changes and carbon risks and opportunities (particularly in emissions intensive sectors). - Conducting research and embedding key learnings into policy including training frameworks to reduce longer-term risk. For example: i) Engagement with policy markers and regulators, e.g. - Westpac made a submission in response to the Australian Government's review of climate change policies providing feedback on key aspects which Westpac believes will assist in shaping the design of an effective and efficient policy response. ii) Embedding key learnings: Westpac has undertaken research to assess the longer term economic impacts of limiting global warming to 2 degrees including the risks and opportunities. iii) Cross-business climate change risk committee - this committee has been established to oversee our response to climate risk from a regulatory, legal, credit and reporting perspective.

**Cost of management**

1100000

**Comment**

The main costs associated with implementing this approach are FTE resourcing to undertake engagement activities, strategy development, product development, changes to policy and underwriting standards, marketing, sponsorship and other related costs. In any given year these costs are in the order of $1.1m.

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**Identifier**

Risk 2

**Where in the value chain does the risk driver occur?**

Customer

**Risk type**

Transition risk

**Primary climate-related risk driver**

Policy and legal: Increased pricing of GHG emissions

**Type of financial impact driver**

Policy and legal: Write-offs, asset impairment, and early retirement of existing assets due to policy changes

**Company- specific description**

The Paris Agreement has set clear ambitions for addressing climate change yet there remains some uncertainty over policy mechanisms required to achieve its goals. Countries where WBC operates have committed to submitting revised INDC's every 5 years as part of the Agreement. Where these targets do not align with the 'below two degree' target, countries will need to increase their commitments over the coming years, creating a need for rapid, disruptive action, rather than a smooth transition. Our scenario analysis has shown that delayed action, followed by accelerated mitigation action after 2030 creates uncertainty that may inhibit economic growth and lead to abrupt and unexpected policy shifts including a rapidly increasing carbon prices and energy costs for own operations and our customers possibly leading to asset impairment in some industry sectors. Failure to finalise a post -2020 policy framework for the Australian electricity market that aligns with a two degree goal indicates that there will be a need for further increases in emissions reduction commitments over the coming years, raising the prospect of rapid increases in carbon prices and the potential for asset impairment in some sectors of the economy. This has the potential to impact Westpac's balance sheet and revenues.

**Time horizon**

Medium-term

**Likelihood**

About as likely as not

**Magnitude of impact**

Low

**Potential financial impact**

0

**Explanation of financial impact**

The magnitude of potential financial impact connected to this risk, whilst not quantified exactly, is considered low given the composition of our loan portfolio and nature of operations. Westpac's current lending to the mining sector represents less than 1% of Total Committed Exposures.

**Management method**

Westpac applies the same rigour in managing climate change as in any other transformational issue facing the economy. In 2016, the Group analysed the financial and reputational implications of transitioning to a two-degree economy under three scenarios to understand the longer term impacts to the Australian economy, including risks and opportunities for the Group. The scenarios represent plausible pathways to a low carbon economy based on different approaches to global cooperation and timing of action on climate change, including a Delayed Action scenario. As a result of this work Westpac enhanced its approach to lending to emissions-intensive sectors including the thermal coal sector, setting out a commitment to support customers that are in or reliant on these sectors and who assess the financial implications of climate change on their business, including how their strategies are likely to perform under various forward-looking scenarios, and demonstrate a rigorous approach to governance, strategy setting, risk management and reporting.

**Cost of management**

1100000

**Comment**

The main costs associated with implementing this approach are FTE resourcing to undertake engagement activities, strategy development, product development, changes to policy and underwriting standards, marketing, sponsorship and other related costs such as specialised consultants. In any given year these costs are in the order of $1.1m.

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**Identifier**

Risk 3

**Where in the value chain does the risk driver occur?**

Customer

**Risk type**

Physical risk

**Primary climate-related risk driver**

Chronic: Changes in precipitation patterns and extreme variability in weather patterns

**Type of financial impact driver**

Write-offs and early retirement of existing assets (e.g., damage to property and assets in "high-risk" locations)

**Company- specific description**

Westpac's Climate Change Position Statement recognises the physical impacts of climate change, drawing upon the Intergovernmental Panel on Climate Change (IPCC 5) and domestic research undertaken in Australia, New Zealand and the Pacific, to identify projected impacts and emerging physical risks. The short and long-term physical impacts for Australia are summarised in a report, by CSIRO and the Bureau of Meteorology (BoM). The report charts temperature and rainfall changes already observed and likely trends. It shows that rainfall averaged across Australia has slightly increased since 1900, but declined since 1970 in the southwest, dominated by reduced winter rainfall. Autumn and early winter rainfall has mostly been below average in the southeast since 1990. Average rainfall in southern Australia is projected to decrease with more droughts and heavy rainfall is projected to increase over most parts of Australia. In 2016 the Australian Business Roundtable for Disaster Resilience and Safer Communities ("The Roundtable") estimated the total economic cost of natural disasters in Australia in 2015 exceeded $9bn, or 0.6% of GDP forecast to rise to $33bn pa by 2050. This may create credit and portfolio risk from impacted customers and operational risk associated with direct impacts for example, through increase claims in our insurance business, increased losses due to customers experiencing financial stress as a result of disaster events as well as implications for operational and maintenance costs.

**Time horizon**

Long-term

**Likelihood**

About as likely as not

**Magnitude of impact**

Medium-low

**Potential financial impact**

78900000

**Explanation of financial impact**

Insurance claims due to natural disasters in FY17 was $78.9m.

**Management method**

Engagement with stakeholders to understand and better manage impacts, participation in research, implementing operational controls to manage losses and reduce risk. We help our customers make their homes more climate-resilient by: providing information to assist home owners identify how they can make improvements to their home; and working with our bankers to ensure customers access the right products and services to help fund any improvements they wish to undertake. We support our customers to get back on their feet after experiencing a natural disaster event by: providing disaster relief packages to customers and communities affected by natural disasters, when the events occur; and providing disaster recovery grants to community groups and small businesses 6–12 months after an event, to help the economic recovery in impacted regions. We continue to advocate for more research and investment into helping communities adapt and become resilient to climate-related impacts. This includes the work we support through the Australian Business Roundtable on Disaster Resilience and Safer Communities, which focuses on natural disaster resilience and recovery in Australia. Westpac has also committed to undertaking physical risk analysis of its retail lending portfolio in 2018.

**Cost of management**

1100000

**Comment**

Costs include FTE, efforts to understand manage impacts including research and participation in industry forums.

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**Identifier**

Risk 4

**Where in the value chain does the risk driver occur?**

Customer

**Risk type**

Physical risk

**Primary climate-related risk driver**

Chronic: Rising sea levels

**Type of financial impact driver**

Write-offs and early retirement of existing assets (e.g., damage to property and assets in "high-risk" locations)

**Company- specific description**

Westpac's Climate Change Position Statement recognises the physical impacts of climate change, drawing upon the Intergovernmental Panel on Climate Change (IPCC 5) and domestic research undertaken in Australia, New Zealand and the Pacific, to identify projected impacts and emerging physical risks. Populations in our key markets are densely concentrated in a relatively small number of larger coastal cities or coastal areas which are potentially exposed to rising sea levels and storm surges. For instance around 85% of Australia's population live in coastal areas. This is also of concern within the Pacific Islands where sea level rise will lead to increased salination of coastal plains. Impacts for Australia have also been summarised in a report released by the CSIRO and Bureau of Meteorology, which states that global-average mean sea level from 2011 was 210 mm above the level in 1880 and rose faster between 1993 and 2011 than during the 20th century as a whole. This creates credit and portfolio risk from impacted customers and operational risk associated with direct impacts for example, through increase claims in our insurance business, increased losses due to customers experiencing financial stress as a result of disaster events as well as implications for operational and maintenance costs. Approximately 85% of Australia's population live in coastal areas, at risk of increased storm surge and sea level rise. Research has found that up to$63 billion (replacement value) of existing residential buildings are potentially at risk of inundation from a 1.1 metre sea-level rise. Westpac's total lending to residential properties was $427bn as at FY2017. The bank may experience asset impairment due to uninsured losses caused by rising sea levels in this portfolio however more research is needed to estimate the probability and possible financial impact. Westpac is undertaking climate-related physical risk analysis in 2018.

**Time horizon**

Long-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Unknown

**Potential financial impact**

0

**Explanation of financial impact**

Westpac's total lending to residential properties was $427bn as at FY2017. The bank may experience asset impairment due to uninsured losses caused by rising sea levels in this portfolio however more research is needed to estimate the probability and possible financial impact. Westpac is undertaking climate-related physical risk analysis in 2018.

**Management method**

We help our customers make their homes more climate-resilient by: providing information to assist home owners identify how they can make improvements to their home; and working with our bankers to ensure customers access the right products and services to help fund any improvements they wish to undertake. We continue to advocate for more research and investment into helping communities adapt and become resilient to climate-related impacts. This includes the work we support through the Australian Business Roundtable on Disaster Resilience and Safer Communities, which focuses on natural disaster resilience and recovery in Australia. Westpac has also committed to undertaking physical risk analysis of its retail lending portfolio in 2018 to further understand the implications of physical risk to its business.

**Cost of management**

1100000

**Comment**

Costs include FTE, efforts to understand manage impacts including research and participation in industry forums.

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## C2.4

**(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

Yes

## C2.4a

**(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.**

**Identifier**

Opp1

**Where in the value chain does the opportunity occur?**

Customer

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development and/or expansion of low emission goods and services

**Type of financial impact driver**

Increased revenue through demand for lower emissions products and services

**Company- specific description**

Our Climate Change Position Statement recognises that economic growth and emissions reductions are complementary goals. Addressing climate change creates financial opportunities for Westpac and our customers. Addressing the impacts of climate change requires investment and a shift in business models. Transition to a net zero emissions economy is reliant on the availability of cost effective low carbon solutions. In our role as a financial intermediary we act as a market facilitator and partner to existing and new customers, backing financially viable, affordable, low carbon solutions that will drive the transition to a net zero emissions economy whilst accelerating the reduction in emissions. Building on the climate change scenario analysis Westpac completed in 2016, we have set our targets based on the current outlook for investment in climate change solutions that is required to remain on a credible pathway to a net zero emissions outcome by 2050. We define climate change solutions as those technologies and practices that are consistent with the investment required to limit global warming to less than two degrees and address its impacts. Climate change solutions include, but are not limited to: Renewable energy; energy efficiency technologies; green buildings; low-emissions transport; waste; water; carbon abatement and sequestration projects; forestry and land rehabilitation; and adaptation infrastructure. As part of our 2020 Climate Change Action Plan we have undertaken to: Increase our target lending exposure to climate change solutions from $6 billion to $10 billion by 2020; Facilitate up to $3 billion in climate change solutions by 2020, e.g. green bond issuance and arrangement; and Increase our target lending exposure to climate change solutions to $25 billion by 2030.

**Time horizon**

Current

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium

**Potential financial impact**

25000000000

**Explanation of financial impact**

Westpac has set short and medium term targets for lending to the climate solutions sector. These were derived from market analysis, estimates of Westpac's market share and estimates of future sector growth derived from climate scenario analysis. Targets are expressed in terms of Total Committed Exposure. By 2030 we are targeting $25bn to climate solutions. As at September 2017 our TCE was $7bn against a 2020 target of $10bn. We have also identified opportunities to assist customers access new products such as green bonds through market facilitation (e.g. bond arrangement) . We have a set a facilitation target of $3bn by 2020. Increased revenues can be expected as a result of growth and increased balance sheet allocation and product development in this sector.

**Strategy to realize opportunity**

Lending and facilitation targets to climate solutions are articulated in our 2020 Climate Change Action Plan which was approved by the Westpac Board. Scenario and market analysis was used to derive these targets. Execution of the lending and facilitation targets is overseen by the Sustainability Council and, in particular, Climate Solutions Committee, both of which meet every quarter. Both committees bring together senior leaders and subject matter experts from across the Group, including our New Zealand operations to identify, execute and report on opportunities in the climate solutions sector. Our financial reporting shows growth in exposure to climate solutions from $6bn in 2016 to $7bn in 2017. Similar growth has been seen in our facilitation targets - an example of this was recent growth in the green bonds sector. In 2017 Westpac issued JPY5.6bn of Climate Bonds into Japan and a EUR 500 million, 7 year Climate Bond. In 2016 Westpac launched an AUD 500m Climate Bond helping to fund 7 wind energy facilities and 5 low carbon commercial properties, all certified under the Climate Bonds Standard as well as commercial properties rated 5-stars or higher under the NABERS rating system. In New Zealand a report on the local economy commissioned by WNZL shows that NZ can decarbonsie towards a two-degree target while achieving economic growth: NZ could be $30b better off with early and consistent action on climate change. WNZL has a climate solutions lending target of $2bn.

**Cost to realize opportunity**

1100000

**Comment**

Estimated for total FTE and other costs

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**Identifier**

Opp2

**Where in the value chain does the opportunity occur?**

Customer

**Opportunity type**

Resilience

**Primary climate-related opportunity driver**

Other

**Type of financial impact driver**

Increased market valuation through resilience planning (e.g., infrastructure, land, buildings)

**Company- specific description**

Through our Climate Change Position Statement, Westpac is committed to helping our customers to understand the impact of climate change on their lives and business. We recognise that climate change affects our customers, their homes and investments. We can use our experience and expertise to assist our customers to prepare and respond to the risks and opportunities they may face. Despite the commitment to limit global warming to two degrees, climate change will still cause shifts in weather patterns and increase the frequency and severity of natural disasters. Communities may experience weather events that they are unfamiliar with or for which they are not prepared. Our experience of working with customers and communities through times of natural disaster has shown that the more resilient a community is, the quicker it is able to recover. We have an opportunity to support customers to understand how climate-related impacts affect their homes and assets, helping them make the right decisions to prepare for any possible outcome. The Australian Business Roundtable for Disaster Resilience and Safer Communitees estimated the total cost of natural disasters in 2015 in Australia exceeded $9bn. This is forecast to rise to $33bn by 2050. Studies have shown that investment in climate-resilience and infrastructure of $250m per year could reduce these costs by up to 50%. As Australia's second largest bank with over $400bn in direct lending exposure to household mortgages, working with customers, government and the private sector presents a significant opportunity to improve community resilience to mitigate the worst impacts of climate change, as well as provide finance to adaptation measures. This opportunity has been factored into our analysis of climate-related opportunities when setting lending targets for the climate solutions sector. It also drives our participation in the Australian Business Roundtable for Disaster Resilience and Safer Communities which makes a significant contribution to national strategies on natural disaster resilience strategies. In 2017 the ABR released its fifth report on disaster resilience: "Building resilience to natural disasters in our states and territories".

**Time horizon**

Medium-term

**Likelihood**

Likely

**Magnitude of impact**

Medium

**Potential financial impact**

25000000000

**Explanation of financial impact**

The Australian Business Roundtable estimated the total cost of natural disasters in 2015 in Australia exceeded $9bn. This is forecast to rise to $33bn by 2050. Studies have shown that investment in climate-resilience and infrastructure of $250m per year could reduce these costs by up to 50%. As Australia's second largest bank with over $400bn in direct lending exposure to household mortgages, working with customers, government and the private sector presents a significant opportunity to improve community resilience to mitigate the worst impacts of climate change, as well as provide finance to adaptation measures. The opportunity presented by growth in adaptation infrastructure forms a part of our overall Climate Solutions lending targets of $10bn by 2020 and $25bn by 2030. Our 2017 reporting shows that climate-resilient green buildings represent 56% of our lending to climate solutions. Increased revenues can be expected as a result of growth and increased balance sheet allocation.

**Strategy to realize opportunity**

Our strategy to hep individual customers respond to climate change is articulated in our 2020 Climate Change Action Plan which was approved by the Westpac Board. Active engagement with a range of stakeholders including NGOs, community organisations, industry associations, government and suppliers as well as our scenario and market analysis helps us to understand the range of views and complexity of the issue. In particular our participation and investment in the Australian Business Roundtable for Disaster Resilience and Safer Communities has helped to understand, inform and influence responses to the physical impacts of climate change, and the opportunities that might arise in helping our customers adapt. Identification of financial opportunities in the climate adaptation sector are overseen by our Climate Solutions Committee. Execution of the lending and facilitation targets is overseen by the Sustainability Council and, in particular, Climate Solutions Committee which meet every quarter. Both committees bring together senior leaders and subject matter experts from across the Group, including our New Zealand operations to identify, execute and report on opportunities in the climate solutions sector. An example of this work is the release in 2017 of the ABR's report: Building Resilience to Natural Disasters in our States and Territories which articulated the business case for increased investment in resilience.

**Cost to realize opportunity**

1100000

**Comment**

Estimated for total FTE and other costs

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**Identifier**

Opp3

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Energy source

**Primary climate-related opportunity driver**

Use of new technologies

**Type of financial impact driver**

Reduced exposure to GHG emissions and therefore less sensitivity to changes in cost of carbon

**Company- specific description**

Our Climate Change Position Statement and 2020 Action Plan commits Westpac to demonstrate best practice in our own emissions management through setting of science-based targets. We will reduce our 2020 emissions by 9% and 2030 emissions by 34% against a 2016 baseline. This presents an opportunity to deploy new technologies including increased uptake of renewable energy, reduce our exposure to GHG emissions and avoid potential rising costs as the energy system continues to transition to a low-carbon setting.

**Time horizon**

Current

**Likelihood**

Very likely

**Magnitude of impact**

Medium-low

**Potential financial impact**

33476381

**Explanation of financial impact**

A number of energy reduction, energy efficiency and renewable energy projects are currently either under investigation or in the implementation stage. In our retail portfolio, this includes lighting upgrades for several branches, a solar panel pilot project and reduction of our digital marketing screens representing over $1.3M in investment. In our commercial offices, this includes a number of solar PV projects under investigation , lighting upgrades, relocation of offices into more energy efficient spaces, replacement of CRAC units and upgrades of BMS systems representing over $32M in investment.

**Strategy to realize opportunity**

Emission reduction targets are articulated in our 2020 Climate Change Action Plan which was approved by the Westpac Board. Westpac has long-term targets to reduce the emissions of its operations by 34% in 2030 (2016 baseline) and increase its use of renewable energy. This will both mitigate the potential impact of future carbon pricing and reduce operational expenses over the long term. WBC's Group Property and Network Transformation teams have budget allocated to continuous improvement from which Scope 1,2, or 3 emission reduction projects may be funded where they meet business requirements. In addition, other project budgets may be established to fun specific carbon reduction initiatives.

**Cost to realize opportunity**

33476381

**Comment**

Estimated cost of implementation of projects. Several Solar PV projects for commercial buildings are under investigation and cost of implementation has not yet been included in above figures.

## C2.5

### (C2.5) Describe where and how the identified risks and opportunities have impacted your business.

| | Impact | Description |
|---|---|---|
| Products and services | Impacted | Opportunities: Westpac's Climate Change Position Statement and 2020 Action Plan recognises both transition risks and opportunities for our business. In recognition of the significant magnitude of opportunities, the Statement commits Westpac to lending $10bn to climate change solutions by 2020 and $25bn by 2030, included in this is a $2bn commitment from our New Zealand business. The Position Statement also defines a facilitation target of $3bn by 2020 for products such as green bonds. These targets apply across our business divisions and multiple product lines. Specific sectors include renewable energy; energy efficiency technologies; green buildings; low-emissions transport; waste; water; carbon abatement and sequestration projects; forestry and land rehabilitation; and adaptation infrastructure. As at 2017, Westpac had total committed exposure of $7bn to the climate solutions sector. Additionally, our wealth management division, BTFG, has developed data sources which allow customers to understand ESG (including climate change) risks in their investments through its Panorama platform. Other examples of climate -related opportunities impacting products and services include Westpac's active green bond program, emissions trading business, energy efficient finance program, and home insulation product (NZ). Risks: In recognition of transition risks associated with climate change mitigation efforts, the Position Statement sets out enhanced lending criteria for the thermal coal and energy generation sectors. The changes in these sectors are expected to be significant however the magnitude of impact on Westpac is mitigated by its relatively low exposure to these sectors. Lending to the mining sector represents less than 1% of our Total Committed Exposures. |
| Supply chain and/or value chain | Impacted | Supply chain: Factors related to climate change may impact our supply chain however currently the magnitude of impact is considered low. Climate change risk and opportunities are identified through our Responsible Sourcing program which was updated in 2017. As part of the process, suppliers are pre-screened for a variety of risks including greenhouse gas emissions. Where a risk is identified, Westpac asks suppliers about mechanisms for managing these risks including emissions reporting, reduction targets and environment management plans. Supplier engagement on climate change is factored into our regular supplier engagement processes. Value chain: Climate change -related risks in our value chain are assessed as part of our broader approach to sustainability risk management. Westpac applies the same rigour in managing climate change risk as with any other transformational issue facing the economy. Our ESG Credit Risk Policy requires assessment of ESG risks including climate risk, at a country, sector, company and transaction level. In addition, we use climate scenario analysis to assess the transition and physical risks that may arise for different parts of our business, particularly credit risk. Our most recent climate change position statement was updated with lending criteria for sectors most likely to be impacted by climate-related transition risks (thermal coal and coal-fired electricity generation). These include thresholds which set limits around lending to customers, in particular, coal quality in mining operations, emissions intensity impacts of new projects, and guidance on deforestation linked to agribusiness. Climate change has the potential to impact our value chain. Currently the magnitude of this impact is low. Future impacts will depend on national and global efforts to achieve the goals of the Paris Agreement. Westpac regularly uses scenario analysis to understand the potential risks and opportunities of climate change in future. |
| Adaptation and mitigation activities | Impacted | Adaptation: Westpac's Climate Change Position Statement recognises the potential risks and opportunities associated with the physical aspects of climate change such as rising sea levels and changing weather patterns. Currently these are considered longer-term factors with low magnitude financial impact at present. However, Westpac recognises the need to engage with a range of stakeholders including our customers to develop strategies to adapt to the physical impacts of climate change. Our senior leadership regularly participates in the Australian Business Roundtable for Disaster Resilience and Safer Communities which for five years has invested in research to understand opportunities to improve community resilience to natural disasters in Australia. This research informs both our internal strategies and contributes to a broader national dialogue on climate adaptation. Westpac is also investing in climate scenario analysis to better understand the long term financial implications of climate change under different warming scenarios. Mitigation: Westpac's Climate Change Position Statement and scenario analysis recognise the potential risks and opportunities implied by a transition to a 2 degree economy. Mitigation activities such as policy changes and carbon pricing currently have a low level of financial impact on our business but this may change depending on future policy settings. To address these areas our actions include but are not limited to: - Board-level endorsement of the Group's Climate Change Position Statement and 2020 Climate Change Action Plan including a commitment to the goals of the Paris Agreement - Group-wide lending and facilitation targets for climate solutions - Group-wide enhanced criteria for lending to emissions intensive sectors of the economy - Investment in climate change scenario analysis to inform future business strategies on climate change - Participation in multiple business fora and reporting platforms- e.g. Science Based Target Initiative, TCFD, UNEP FI, PRI, and the Investor Group on Climate Change - to ensure continued improvement climate-related practices - Comprehensive environmental targets, including for carbon and energy and a commitment to the uptake of renewable energy - Snr level oversight including: Sustainability Council, Climate Solutions Committee, Climate Risk Committee and Environment Management Committee. |
| Investment in R&D | Impacted | Climate risk and opportunities drive investment in Research and Development. Expenses in this area are of an appropriate order of magnitude and manageable with day-to-day operations. Westpac has long recognised that climate change is one of the most significant issues that will impact our prosperity and way of life, and continues to invest in research and development to understand its implications. In 2008, Westpac was the first Australian bank to release a climate change position statement. In 2016 we undertook climate change scenario analysis to understand the impacts on the Australian economy of limiting global warming to 2 degrees by 2050, and the financial and reputational implications for Westpac. This was combined with further market research and credit risk modelling to define new targets for lending both climate solutions and emissions-intensive sectors, respectively. There is an ongoing research expense of around $200,000 per annum plus FTE costs to maintain our investment in this space. The costs of this investment are borne across multiple business divisions and findings are used to shape Group-wide policies and strategies. Similar work has been undertaken by our New Zealand operations. Other examples include research in partnership with the Australian Business Roundtable for Disaster Resilience and Safer Communities, climate scenario analysis by our New Zealand operations, investment in analysis to understand the opportunities presented by energy efficiency and renewable energy projects, and product development such as BT's Panorama platform which allows customers to better assess the carbon performance of key funds. |
| Operations | Impacted | Climate change-related factors from both a transition and physical risk perspective have the potential impact our operations. Currently the financial risk is considered low but may change depending on national and global efforts to address global warming. Westpac has long-term targets to reduce the emissions of its operations by 34% in 2030 (2016 baseline) and increase its use of renewable energy. This will both mitigate the potential impact of future carbon pricing and reduce operational expenses over the long term. Current energy efficiency projects are estimated to save $5.8M over the next 2 years. The resilience of our operations to natural disasters is monitored as part of our ongoing business practices. |
| Other, please specify | Please select | |

## C2.6

### (C2.6) Describe where and how the identified risks and opportunities have factored into your financial planning process.

| | Relevance | Description |
|---|---|---|
| Revenues | Impacted | Revenues may increase due to efforts to increase our exposure to the climate solutions sector (as outlined above). The share of these revenues may increase as the transition to a low carbon economy accelerates. The potential magnitude of this opportunity is considered high and has been factored into our financial planning processes by setting short and medium term targets for lending to the climate solutions sector ($10bn by 2020 and $25bn by 2030). Revenues may also be impacted negatively as other sectors of the economy reduce in size as the result of efforts to mitigate climate change. The magnitude of this risk is considered low given Westpac's relative low exposure to carbon intensive sectors. This has been factored into our financial planning process by setting lending restrictions on certain sectors considered to have high transition risks (e.g. thermal coal and coal-fired electricity generation). Similarly, revenue impacts linked to physical changes caused by climate change may increase due to greater investment in adaptation measures and the emergence of new products. Similarly, severe weather events have the potential to impact revenues and disrupt the economy. Currently, the downside risks of climate change are low however we continue to assess the likelihood of financial impacts. This is factored into our financial planning process by continuing to invest in research such as climate scenario analysis and through the Australian Business Roundtable for Disaster Resilience and Safer Communities, to better understand the future physical risks of climate change. |
| Operating costs | Impacted | Westpac Group has long recognised that climate change is one of the most significant issues that will impact the long-term prosperity of our economy and way of life. We also recognise the potential for climate-related risk and opportunities to impact our business. We invest in our people, research and partnerships to ensure that we continue to understand and plan for climate-related impacts, and execute initiatives to meet targets set out in our Climate Change Action Plan. As a result, operating costs to cover FTE, consultancy fees (e.g. for scenario analysis and participation in industry roundtables and other frameworks) are factored into our financial planning process on an annual basis and monitored quarterly. Operating costs may also be impacted through variations in electricity and fuel costs due to changes in energy markets. Westpac has a target to reduce the emissions intensity of its operations by 34% in 2030 (2016 baseline). Initiatives to increase energy efficiency and increase the uptake of renewable energy across the group may lead to changes in operating costs. Overall, these costs are of an appropriate magnitude and considered manageable in the context of our day-to-day operations. |
| Capital expenditures / capital allocation | Impacted | Capital expenditures are considered in line with targets set out our 2020 Climate Change Action Plan, and in particular commitments to reduce the emissions intensity of our operations by 34% by 2030. Capital expenditure on energy efficiency and renewable energy projects are subject to the usual budgeting and planning processes to assess financial impact and pay-back periods. These are considered a low magnitude and manageable within our day-to-day operations. Capital allocation for lending to climate solutions is subject to the parameters defined in our Climate Change Position Statement which sets out lending targets of $10bn by 2020 and $25bn by 2030 - progress of capital allocation against these targets is managed on a transactional and portfolio basis and reported on a half-yearly basis. The magnitude of the financial impact is potentially high as the economy transitions to a low carbon setting. Similarly, restrictions on capital allocation to emissions intensive sectors is governed by parameters established in our Climate Change Position Statement and integrated into our risk management framework. This is monitored both on a transaction and portfolio level by our frontline and risk teams. External reporting occurs half-yearly. The magnitude of the financial impact is considered low given Westpac's relatively low exposure to emission-intensive sectors. |
| Acquisitions and divestments | Impacted for some suppliers, facilities, or product lines | As with any transformational issue, climate change and its potential opportunities and risks, where relevant, are considered as part of acquisition or divestment decisions. Our wealth management division, BTFG, sets out its approach to responsible investing including climate change through its Responsible Investment Position Statement. The Statement includes a commitment to provide climate-related financial disclosures, including the measurement and reporting of the carbon intensity of a range of investment portfolios. The potential financial impact is considered low. |
| Access to capital | Impacted for some suppliers, facilities, or product lines | To understand the current and emerging issues that matter most to our stakeholders and that will have the most material impact on our business, we conduct regular assessments and stakeholder consultation. This includes capital providers such as investors, shareholders and customers (depositors). Climate change ranks consistently highly as an issue of importance to stakeholders (and to Westpac), particularly investors. This is also reflected in stakeholder inquiries directed to our Sustainability, client facing and Investor Relations teams. As a result Westpac prepares comprehensive reporting, disclosure and communication materials on a half-yearly basis (minimum) to inform capital providers of our performance on climate change. In line with the recommendations of the TCFD, these materials form part of our financial filings and financial reporting cycle. Key documents include but are not limited to: - Investor Discussion Pack (twice yearly) - Annual Report and Interim results - Sustainability Performance Report (Annual) - Pitch documents for investor roadshows (as needed). Currently, the magnitude of financial impact is low however we recognize the growing importance being attributed to the risks and opportunities of climate change by capital providers. Westpac has publicly supported the recommendations of the TCFD and continues to align its climate-related reporting with this framework |
| Assets | Impacted | Climate risk and opportunities linked to our financial assets are factored into our financial planning processes through the integration of our Climate Change Position Statement and 2020 Action Plan which sets out both lending targets to climate solutions, and restrictions on lending to emissions intensive sectors. - Opportunities: The potential magnitude of financial impacts on asset growth linked to climate change opportunities is considered high. These have been factored into our financial planning processes by setting short and medium term targets for lending to the climate solutions sector ($10bn by 2020 and $25bn by 2030). Our Climate Solutions Committee meetings oversee climate solutions lending targets on at least a quarterly basis and reported semi-annually in our financial statements - Risks: The potential magnitude of financial impacts of asset stress linked to climate change risk is considered low. Climate-related lending parameters to manage exposure to emissions intensive sectors are embedded in our risk management framework and applied on a transactional and portfolio basis. Scenario analysis is undertaken on a regular basis to ensure both new opportunities and risks are being adequately managed. Scenario analysis was undertaken in 2016 which helped us to understand the magnitude of growth and risk in different sectors across the economy. This work informed our Climate Change Position Statement and 2020 Action Plan. |

| | Relevance | Description |
|---|---|---|
| Liabilities | Impacted for some suppliers, facilities, or product lines | Climate change ranks consistently highly as an issue of importance to stakeholders (and to Westpac), including our depositors. This is also reflected in stakeholder inquiries directed to our Sustainability and customer-facing teams. Westpac prepares comprehensive reporting, disclosure and communication materials on a half-yearly basis (minimum) to inform stakeholders of our performance on climate change. In line with the recommendations of the TCFD, these materials form part of our financial filings and financial reporting cycle. Key documents include but are not limited to: - Investor Discussion Pack (twice yearly) - Annual Report and Interim results - Sustainability Performance Report (Annual) - Pitch documents for investor roadshows (as needed). Currently, the magnitude of financial impact is low however we recognize the growing importance being attributed to the risks and opportunities of climate change by capital providers such as depositors. Westpac has publicly supported the recommendations of the TCFD and continues to align its climate-related reporting with this framework. |
| Other | Please select | |

## C3. Business Strategy

### C3.1

**(C3.1) Are climate-related issues integrated into your business strategy?**

Yes

### C3.1a

**(C3.1a) Does your organization use climate-related scenario analysis to inform your business strategy?**

Yes, qualitative and quantitative

### C3.1c

**(C3.1c) Explain how climate-related issues are integrated into your business objectives and strategy.**

The Group has long recognised that climate change is one of the most significant issues that will impact the long-term prosperity of the economy and way of life. Westpac was the first Australian bank to recognise the importance of limiting global warming to two degrees and that to do this, global emissions need to reach net zero in the second half of this century. It is a decade since the Group released its first climate change action plan. Since then, Westpac has continued to integrate the consideration of climate-related risks and opportunities into business objectives and strategy. This includes alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which the Group has publicly committed to support and setting specific targets for lending and our own operational footprint.

The highest level of direct responsibility for climate change at Westpac Group lies with the Board. The Group’s third Climate Change Position Statement and 2020 Action Plan was approved by the Group Executive and the Board in 2017. It covers both the principles and key actions related to climate change for the Westpac Group and their intersection with broader business strategy and planning.

Climate Change Position Statement's principles:

- A transition to a neto zero emissions economy is required

- Economic growth and emissions reductions are complementary goals

- Addressing climate change creates financial opportunities

- Climate-related risk is a financial risk

- Transparency and disclosure matters.

Focus areas for action:

- Provide finance to back climate change solutions including business objectives to lend $10bn by 2020 and $25bn by 2030.

- Support busineses that manage their climate related risks, including enhanced lending parameters for emissions intensive sectors such as thermal coal mining, the energy sector and agribusiness

- Helping individual customers respond to climate change

- Improve and disclose Westpac's climate change performance including science-based carbon and energy targets for business operations to 2020 and 2030, and a commitment to the TCFD

- Advocate for policies that stimulate investment in climate climate change solutions.

The Position Statement specifically ties business strategy and planning to a science-based emissions reduction target of 9% by 2020 and 34% by 2030 (2016 baseline) and ongoing commitment to carbon neutrality.

As an example of climate change influencing business decisions during the reporting period, we conducted climate change scenario analysis to identify risks and opportunities as part of the refresh of our Climate Change Position Statement. This analysis was overseen by an internal Steering Committee comprising representatives from risk, sustainability & banking teams. This research has informed actions in our position statement, driven public engagements and our communications and forward strategy. The Position Statement was approved by the Board and Executive team. A specific measure of the impact of this work is the increased in lending to climate solutions over the period which rose from $6bn to $7bn. Climate solutions is seen as a core area of opportunity for our business.

The Position Statement recognises a number of aspects of climate change that have influenced our thinking over the short (to 2020), medium (to 2030) and long term (2050). This includes explicit acknowledgement of the goals of the Paris Agreement, and our commitment to support the transition of the economy to net-zero emissions and limit warming to less that two degrees. The Statement sets our actions over the short, medium and long term which we report against every year. Key elements of this include short and medium term targets for lending to climate solutions; enhanced lending parameters to emissions intensive sectors (e.g. thermal coal and coal-fired generation assets) and short and medium term science-based targets for our own emissions.

The Westpac Group's Sustainability Council, formed in 2008, comprises a cross-section of senior leaders from across the Group has ongoing responsibility for managing our sustainability strategy including climate change. Our approach to climate change is also informed by our Climate Change Solutions Committee and Climate Change Risk Committee - two committees with cross-business expertise to oversee the multiple dimensions of climate change from business development, product, legal, regulatory, reporting and credit risk management perspectives. Both committees report to the Sustainability Council and in the case of the Climate Change Risk Committee, also our Credit Risk Committee. The Sustainability Council reports to the Board on a half-yearly basis. Our climate change strategy and action plan is reviewed every three years in line with wider strategy review cycles.

In New Zealand, the NZ Sustainability Strategy informs Corporate Strategy by providing insights on opportunities and ESG risks, incl. climate change. Cross-business working groups are responsible for the plans to deliver integrated responses to climate change e.g Climate Change Solutions working group, Operational Sustainability working group directs $CO_2$ reductions initiatives. WZNL transformation programme, FIT, drove business-wide efficiency programme contributing to $CO_2$ reductions. Decisions to relocate Christchurch corporate and CBD branch to Green Star 5 rated building and to convert 30% of our 301 car fleet to EVs & install chargers were influenced by commitment to reduce environmental footprint.

## C3.1d

**(C3.1d) Provide details of your organization's use of climate-related scenario analysis.**

| Climate-related scenarios | Details |
|---|---|
| DDPP | We have undertaken climate change scenario analysis to understand the longer term impacts to the economy including risks and opportunities for Westpac, of limiting global warming to less than two degrees Celsius. Boundaries: qualitiative and quantitative; 2 degree transition risk and opportunity analysis; 50+ industry sectors; over short (2020), medium (2030) and long (2050) term horizons. Carbon price range: USD20-USD300. Methodology: Three scenarios were identified representing plausible pathways to a low carbon economy based on different approaches to global cooperation and timing of action. Each scenario included assumptions for technological, social, economic and environmental factors, drawing from a broad base of existing research, including regarding carbon pricing. The scenarios were based on existing and known technologies due to the difficulty in accurately modelling the impact of unknown innovations. Summary of scenarios 1. Strong National Action: In this scenario, a lack of global carbon trading requires each country to take ambitious action individually, requiring a more rapid domestic transition. National ambition drives technical innovation in renewables, carbon capture and storage and nuclear technologies. 2. Global Cooperation: In this scenario coordinated global action results in a smooth transition to a low carbon economy. Access to an international carbon trading system provides Australia with relatively cheap carbon permits compared to the other scenarios. 3. Delayed Action: In this scenario, an initial delay towards action is followed by a much more accelerated mitigation pathway after 2030. This scenario assumes slower cost reductions of low carbon technologies due to lack of early investment and a rapidly increasing carbon price post-2030. Data for the Central Scenario was drawn from results of the Deep Decarbonisation Pathways Project (DDPP). The two alternative scenarios were modelled relative to the outputs from the Central Scenario. Alternative Scenario 1 drew upon data from the International Energy Agency's (IEA) Energy Technology Perspectives (ETP) scenario analysis, with particular focus on the 2DS (2 Degree Scenario). Alternative Scenario 2 drew upon information from BHP's shock scenario and was supplemented by qualitative assessments. This process helped inform the third iteration of our Climate Change Position Statement and 2020 Action Plan – which was approved by the Board and Executive team in 2017. Specifically scenario analysis has informed our approach to transitional risks including the policy, legal, technology and financial impacts related to climate change, as well as the business implications of physical risks such as changes in climate patterns and extreme weather events. To address climate-related risks, we have enhanced our approach to lending to emissions intensive sectors. We have also developed additional criteria for customers in the energy sector, including specific published requirements for electricity generation and thermal coal, and the agribusiness sector given their potential contribution to global greenhouse gas emissions. It has also underpinned our new ambitious financing targets for climate change solutions which are based on an economy- wide pathway to net zero emissions by 2050. This includes a 2030 lending target to climate solutions of $25bn In line with the recommendations of the TCFD, the results of the scenario analysis have been integrated into our governance, strategy, risk management, and metrics and targets. These are reported in our financial statements and sustainability performance report on a half-yearly basis. |

# C4. Targets and performance

## C4.1

**(C4.1) Did you have an emissions target that was active in the reporting year?**

Both absolute and intensity targets

## C4.1a

**(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.**

**Target reference number**

Abs 1

**Scope**

Scope 1+2 (location-based)

**% emissions in Scope**

77.75

**% reduction from base year**

14

**Base year**
2012

**Start year**
2013

**Base year emissions covered by target (metric tons CO2e)**
141726

**Target year**
2017

**Is this a science-based target?**
No, but we anticipate setting one in the next 2 years

**% achieved (emissions)**
26.36

**Target status**
Retired

**Please explain**
Emissions reported in 2017 for this target represents 77.75% of total Group Scope 1&2 emissions. In 2015, WBC set an absolute target to reduce both Scope 1 & 2 emissions by 14% across Commercial and Retail sites in Australia and New Zealand by 2017, based on a 2012 baseline. extended the target to align wset an absolute target to reduce both Scope 1 and 2 emissions by 14% across Commercial and Retail sites in Australia and New Zealand by 2017. In 2017, we reported more than a 26% reduction of emissions against the baseline for this target.

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**Target reference number**
Abs 2

**Scope**
Scope 1+2 (location-based) +3 (upstream)

**% emissions in Scope**
3.43

**% reduction from base year**
4

**Base year**
2015

**Start year**
2015

**Base year emissions covered by target (metric tons CO2e)**
8391

**Target year**
2017

**Is this a science-based target?**
No, but we anticipate setting one in the next 2 years

**% achieved (emissions)**
30

**Target status**
Retired

**Please explain**
In 2015, WNZL approved the extension of its FY13-15 Sustainability Strategy to FY17 to align with the Westpac Group Sustainability Strategy timelines. Ten new targets were adopted, including a new target to reduce Scope 1, 2 & 3 emissions by 4% between FY15 and FY17. Emissions reported in 2017 for this target represent 2.89% of total Group Scope 1, 2 & 3 emissions. and a 30% reduction was achieved.

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**Target reference number**

Abs 1

**Scope**
Scope 1+2 (location-based)

**% emissions in Scope**
100

**% reduction from base year**
9

**Base year**
2016

**Start year**
2018

**Base year emissions covered by target (metric tons CO2e)**
147620

**Target year**
2020

**Is this a science-based target?**
Yes, we consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative

**% achieved (emissions)**
0

**Target status**
New

**Please explain**
As part of WBC's commitments in our 2017 Climate Change Position Statement and 2020 Action Plan, we are demonstrating best practice in our own emissions management through setting a Science-Based Target (in line with the Science Based Targets Initiative) to reduce our emissions by 9% by 2020 and 34% by 2030. As there is currently no SBT methodology developed for Scope 3 ‘financed emissions’ - emissions relating to financial assets held, we are unable to have our SBT officially or unofficially validated under the SBTi Initiative (SBTi). However, Westpac’s Scope 1 & 2 emissions targets were determined to be science-based, and would have passed validation if financial institutions were able to submit for official validation based on our submission for unofficial validation to the SBTi. This target represents 100% of total Group Scope 1 & 2 emissions.

## C4.1b

**(C4.1b) Provide details of your emissions intensity target(s) and progress made against those target(s).**

**Target reference number**
Int 1

**Scope**
Scope 2 (location-based)

**% emissions in Scope**
82.03

**% reduction from baseline year**
10

**Metric**
Metric tons CO2e per square meter*

**Base year**
2012

**Start year**
2013

**Normalized baseline year emissions covered by target (metric tons CO2e)**
0.2

**Target year**
2017

**Is this a science-based target?**
No, but we anticipate setting one in the next 2 years

**% achieved (emissions)**
16.34

**Target status**
Retired

**Please explain**
In 2012, the Westpac Group set an intensity target to reduce kWh of electricity/m2 for commercial and retail sites for Australia and New Zealand by 10% by 2017. For the purposes of this question, this target has been converted from kWh of electricity/m2 for commercial and retail sites for Australia and New Zealand to Scope 2 emissions/m2 for commercial and retail sites for Australia and New Zealand. In 2014, the target was re-baselined due to detection of the inclusion of out of scope data and changes were made to the methodology in New Zealand, to improve consistency with that of the Australian businesses. When setting the electricity intensity target, consideration was given to planned and anticipated changes to the size of the property portfolio (sqm) and planned electricity efficiency works. From this, we set a 10% reduction in Scope 2 emissions by 2017. Due to reduction in losses from transmission and distribution, this has also resulted in a x% reduction in Scope 3 emissions from this source.

**% change anticipated in absolute Scope 1+2 emissions**
10

**% change anticipated in absolute Scope 3 emissions**
15

## C4.2

**(C4.2) Provide details of other key climate-related targets not already reported in question C4.1/a/b.**

**Target**
Energy usage

**KPI – Metric numerator**
MWh electricity consumption in commercial and retail sites in Australia and New Zealand.

**KPI – Metric denominator (intensity targets only)**
n/a

**Base year**
2012

**Start year**
2013

**Target year**
2017

**KPI in baseline year**
176567

**KPI in target year**
144639

**% achieved in reporting year**
18

**Target Status**
Retired

**Please explain**
Electricity usage target includes all Australian and New Zealand commercial and retail properties only. Excludes ATMs, stand alone Data Centres and fleet. This target was part of Westpac's five year Sustainability Strategy that concluded in 2017.

**Part of emissions target**
Initiatives implemented to drive Westpac's target to reduce electricity consumption was a key driver of our emission reduction target.

**Is this target part of an overarching initiative?**
No, it's not part of an overarching initiative

---

**Target**
Zero/low-carbon vehicle

**KPI – Metric numerator**
Convert 30% of the WNZL car fleet to electric vehicles or PHEV

**KPI – Metric denominator (intensity targets only)**

**Base year**
2017

**Start year**
2018

**Target year**
2019

**KPI in baseline year**
0

**KPI in target year**
30

**% achieved in reporting year**
0

**Target Status**
Underway

**Please explain**
Convert 30% of the Westpac New Zealand car fleet to electric vehicles or PHEV by 2019.

**Part of emissions target**
This forms part of the New Zealand target to reduce emissions by 25% by 2020.

**Is this target part of an overarching initiative?**
No, it's not part of an overarching initiative

---

## C4.3

**(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.**

Yes

## C4.3a

**(C4.3a) Identify the total number of projects at each stage of development, and for those in the implementation stages, the estimated CO2e savings.**

| | Number of projects | Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *) |
|---|---|---|
| Under investigation | 3 | |
| To be implemented* | 57 | |
| Implementation commenced* | 6 | 2980 |
| Implemented* | 107 | 2908 |
| Not to be implemented | 75 | |

## C4.3b

**(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.**

**Activity type**
Energy efficiency: Building services

**Description of activity**
Other, please specify (Lighting Upgrades - Corporate)

**Estimated annual CO2e savings (metric tonnes CO2e)**
917

**Scope**
Scope 2 (location-based)

**Voluntary/Mandatory**
Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**
186013

**Investment required (unit currency – as specified in CC0.4)**
1387992

**Payback period**
4 - 10 years

**Estimated lifetime of the initiative**
6-10 years

**Comment**
The estimated lifetime of each project is determined by the length of the leasing arrangement. Corporate Lighting Upgrades: Kogarah, 75 George Street Parramatta, 80 George Street Parramatta, Concord West, 55 Market Street Sydney.

---

**Activity type**
Other, please specify (Exit to more energy efficient site.)

**Description of activity**
<Not Applicable>

**Estimated annual CO2e savings (metric tonnes CO2e)**
598

**Scope**
Scope 2 (location-based)

**Voluntary/Mandatory**
Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**
192221

**Investment required (unit currency – as specified in CC0.4)**
1500000

**Payback period**
4 - 10 years

**Estimated lifetime of the initiative**
6-10 years

**Comment**
Relocation of training facility from Pirie Street to 97 King William Street in Adelaide.

---

**Activity type**
Other, please specify (UPS Replacement - Lockleys)

**Description of activity**
<Not Applicable>

**Estimated annual CO2e savings (metric tonnes CO2e)**
162

**Scope**
Scope 2 (location-based)

**Voluntary/Mandatory**
Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**
52140

**Investment required (unit currency – as specified in CC0.4)**
300000

**Payback period**
4 - 10 years

**Estimated lifetime of the initiative**
16-20 years

**Comment**
The estimated lifetime of each project is determined by the length of the leasing arrangement.

---

**Activity type**
Low-carbon energy installation

**Description of activity**
Solar PV

**Estimated annual CO2e savings (metric tonnes CO2e)**
133

**Scope**
Scope 2 (location-based)

**Voluntary/Mandatory**
Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

27032

**Investment required (unit currency – as specified in CC0.4)**
175000

**Payback period**
4 - 10 years

**Estimated lifetime of the initiative**
6-10 years

**Comment**
The estimated lifetime of each project is determined by the length of the leasing arrangement.

---

**Activity type**
Energy efficiency: Building services

**Description of activity**
Lighting

**Estimated annual CO2e savings (metric tonnes CO2e)**
901

**Scope**
Scope 2 (location-based)

**Voluntary/Mandatory**
Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**
284333

**Investment required (unit currency – as specified in CC0.4)**
2016094

**Payback period**
4 - 10 years

**Estimated lifetime of the initiative**
6-10 years

**Comment**
The estimated lifetime of each project is determined by the length of the leasing arrangement. Retail Lighting Upgrades: Pilot (16 sites), Tranche 1 (47 sites), Tranche 2 (23 sites).

---

**Activity type**
Other, please specify (BankNow Efficiency Audits/Works - South )

**Description of activity**
<Not Applicable>

**Estimated annual CO2e savings (metric tonnes CO2e)**
1

**Scope**
Scope 2 (location-based)

**Voluntary/Mandatory**
Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**
176

**Investment required (unit currency – as specified in CC0.4)**
12000

**Payback period**
>25 years

**Estimated lifetime of the initiative**

3-5 years

**Comment**
The estimated lifetime of each project is determined by the length of the leasing arrangement.

---

**Activity type**
Other, please specify (Coolmix Pilot and Program)

**Description of activity**
<Not Applicable>

**Estimated annual CO2e savings (metric tonnes CO2e)**
83

**Scope**
Scope 2 (location-based)

**Voluntary/Mandatory**
Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**
27984

**Investment required (unit currency – as specified in CC0.4)**
153186

**Payback period**
4 - 10 years

**Estimated lifetime of the initiative**
3-5 years

**Comment**
The estimated lifetime of each project is determined by the length of the leasing arrangement.

---

**Activity type**
Other, please specify (Westpac New Zealand (WNZL) No Fly July )

**Description of activity**
<Not Applicable>

**Estimated annual CO2e savings (metric tonnes CO2e)**
50

**Scope**
Scope 3

**Voluntary/Mandatory**
Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

**Investment required (unit currency – as specified in CC0.4)**
0

**Payback period**
<1 year

**Estimated lifetime of the initiative**
<1 year

**Comment**
WNZL implemented 'No Fly July' for all staff as part of an employee engagement/ emission reduction activity whereby no employee is allowed to use air travel during the month of July.

---

## C4.3c

### (C4.3c) What methods do you use to drive investment in emissions reduction activities?

| Method | Comment |
|---|---|
| Compliance with regulatory requirements/standards | The Group complies with the National Greenhouse and Energy Reporting Act which requires Westpac to capture and report all energy consumption, Scope 1 and Scope 2 greenhouse gas emissions from Australian activities under our Operational Control. |
| Internal incentives/recognition programs | General managers and division heads across the Group have bonuses tied to the achievement of climate change related targets included in our Climate Change Action Plan and Sustainability Strategy including targets to make up to $10bn available for lending to climate solutions by 2020, $3bn in climate change advisory by 2020 and $25bn for lending to climate solutions by 2030; and eco-efficiency targets linked to 9% reduction in GHG emissions by 2020 and 34% by 2030 (2016 baseline). The extent of sustainability managers' financial remuneration is dependent on the management of climate change issues, including the attainment of targets. The management of climate change issues includes the identification, prioritization and response to those issues, through our Climate Change Position Statement, and the attainment of targets included in both the Sustainability Strategy and the Position Statement. Delivery on sustainability objectives accounts for 50-80% of short term incentive. The CEO Community and Environment Awards recognise both an individual employee and a team which have demonstrated outstanding support for their community, or the environment including through one or more not-for profit organisations. This includes causes which relate to climate change. The winners of our Community and Environment Awards are people who have gone beyond what is expected and have made a sustained contribution to one or more not-for-profit organisations, giving generously of their time, capabilities and commitment. Both the individual and team Award winners will receive a donation of $10,000 for their chosen community organisation or environmental cause. In NZ our Legends month, quarterly and annual awards ‘Our Tomorrow’ category recognises individuals that have played a key role in their communities or for the environment, including issues associated with climate change, over and above expectations of their day job. There is a small financial component that goes with this - items or vouchers to the value of $100 for monthly and quarterly Legends and $500 for annual Legends, with the opportunity for top Legend to receive an additional $5700. |
| Internal price on carbon | Westpac factors the cost of carbon credits into its budget processes as part of its commitment to carbon neutrality and electricity procurement. WNZL used an internal price of carbon based on the domestic carbon market in the business case to green the fleet with EVs. |
| Employee engagement | Employees are engaged through the Our Tomorrow Program, an Employee Action Group informing and empowering our people around sustainability, and the We Have The Will campaign which supports our employees to take personal action to tackle environmental impacts. These groups are supported by an intranet site, Yammer (internal social media), regular newsletters and invitations to presentations and workshops. Employees are also engaged through participation in Earth Hour, World Environment Day, and National Recycling Week environmental activities, as well as being provided with information on implementing emission reduction/environmental impact activities at work and at home. As part of our Yammer Social Media, we have an 'Environmental Advocates' group who identify, implement and drive sustainability initiatives throughout the business. In NZ, employees of relevant business units are also engaged in working groups focused on our own emissions reductions and developing and promoting CleanTech products. |
| Other | The Westpac Group participates in the NSW Energy Saving Scheme and Victorian Energy Efficiency Target programs which allow us to create and sell carbon certificates for eligible energy efficiency works. The income derived from these programs is used to reduce project payback periods. |
| Other | Achievement of the Group's 2017 environmental targets for energy efficiency, carbon neutrality, paper reduction and data centre efficiency also supports the business case for funds to be directed towards energy efficient projects. Progress against these targets is reported publicly each year. |
| Dedicated budget for energy efficiency | The Group's WorkSMART program is focused on new ways of working and leading in an agile and paper independent environment which will drive less investment in paper and therefore Scope 3 emission reduction activities. The Group also has a continuous improvement budget from which Scope 1,2 or 3 emission reduction projects may be funded where they meet business requirements. In addition, other project budgets may be established to run specific carbon reduction initiatives. |

## C4.5

### (C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?

Yes

## C4.5a

**(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.**

**Level of aggregation**
Company-wide

**Description of product/Group of products**
In our Climate Change Position Statement Westpac committed to a lending and investment target for Climate Change Solutions: $10bn by 2020 and $25bn by 2030. $7bn has been lent as at 2017. We help customers optimise their carbon obligations in a number of compliance markets (e.g. EU ETS, NZ ETS) BTFG, is a PRI signatory and has integrated PRI principles across its investment activity (ref 18.23). Since 2015 BTFG disclosed the carbon intensity of a range of investment portfolios within our flagship retail and corporate superannuation products, using this data to understand where risks may lie in investments and to provide customers with info. on their investments. Fixed income products included JPY5.6bn of Climate Bonds into Japan in Feb17 and a EUR 500 million, 7 year Climate Bond in Nov17. 2016 WBC launched AUD500m Climate Bond into the Australian market. Projects funded by the 2016 bond include 7 wind energy facilities and 5 low carbon commercial properties, all certified under the Climate Bonds Standard as well as commercial properties rated 5-stars or higher under the NABERS rating system.

**Are these low-carbon product(s) or do they enable avoided emissions?**
Low-carbon product and avoided emissions

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**
Climate Bonds Taxonomy

**% revenue from low carbon product(s) in the reporting year**

**Comment**

## C5. Emissions methodology

### C5.1

**(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).**

**Scope 1**

**Base year start**
July 1 2007

**Base year end**
June 30 2008

**Base year emissions (metric tons CO2e)**
10823

**Comment**

**Scope 2 (location-based)**

**Base year start**
July 1 2007

**Base year end**
June 30 2008

**Base year emissions (metric tons CO2e)**
188780

**Comment**

**Scope 2 (market-based)**

**Base year start**

**Base year end**

**Base year emissions (metric tons CO2e)**

**Comment**

## C5.2

**(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.**

Australia - National Greenhouse and Energy Reporting Act
ISO 14064-1
New Zealand - Guidance for Voluntary, Corporate Greenhouse Gas Reporting

# C6. Emissions data

## C6.1

**(C6.1) What were your organization’s gross global Scope 1 emissions in metric tons CO2e?**

**Row 1**

**Gross global Scope 1 emissions (metric tons CO2e)**
9274

**End-year of reporting period**
<Not Applicable>

**Comment**
As reported for FY17.

**Row 2**

**Gross global Scope 1 emissions (metric tons CO2e)**
11103

**End-year of reporting period**
2016

**Comment**
As reported for FY16.

**Row 3**

**Gross global Scope 1 emissions (metric tons CO2e)**
10830

**End-year of reporting period**
2015

**Comment**
As reported for FY15

**Row 4**

**Gross global Scope 1 emissions (metric tons CO2e)**
10270

**End-year of reporting period**
2014

**Comment**
As reported for FY14

## C6.2

**(C6.2) Describe your organization’s approach to reporting Scope 2 emissions.**

**Row 1**

**Scope 2, location-based**
We are reporting a Scope 2, location-based figure

**Scope 2, market-based**

**Comment**

## C6.3

**(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?**

**Row 1**

**Scope 2, location-based**
124963

**Scope 2, market-based (if applicable)**
<Not Applicable>

**End-year of reporting period**
<Not Applicable>

**Comment**
As reported for FY17

**Row 2**

**Scope 2, location-based**
145599

**Scope 2, market-based (if applicable)**
<Not Applicable>

**End-year of reporting period**
2016

**Comment**
As reported for FY16

**Row 3**

**Scope 2, location-based**
164976

**Scope 2, market-based (if applicable)**
<Not Applicable>

**End-year of reporting period**
2015

**Comment**
As reported for FY15

**Row 4**

**Scope 2, location-based**
168178

**Scope 2, market-based (if applicable)**
<Not Applicable>

**End-year of reporting period**
2014

**Comment**
As reported for FY14

## C6.4

**(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?**
Yes

## C6.4a

**(C6.4a) Provide details of the sources of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure.**

**Source**
Offices in the United States

**Relevance of Scope 1 emissions from this source**
Emissions are not relevant

**Relevance of location-based Scope 2 emissions from this source**
Emissions are not relevant

**Relevance of market-based Scope 2 emissions from this source (if applicable)**
Emissions are not relevant

**Explain why the source is excluded**
Westpac Group operations in the United States includes only two small sites which are deemed immaterial.

---

**Source**
Asian Sites

**Relevance of Scope 1 emissions from this source**
Emissions are not relevant

**Relevance of location-based Scope 2 emissions from this source**
Emissions are not relevant

**Relevance of market-based Scope 2 emissions from this source (if applicable)**
Emissions are not relevant

**Explain why the source is excluded**
Energy and carbon data for Asian operations are deemed immaterial and data is limited from this region. This continues to be assessed as Westpac Group grows in the Asian Region.

---

**Source**
Incidental Emissions (e.g. fire suppressants)

**Relevance of Scope 1 emissions from this source**
Emissions are not relevant

**Relevance of location-based Scope 2 emissions from this source**
Emissions are not relevant

**Relevance of market-based Scope 2 emissions from this source (if applicable)**
Emissions are not relevant

**Explain why the source is excluded**
Minor sources deemed immaterial.

---

**Source**
Refrigerants from retail sites

**Relevance of Scope 1 emissions from this source**
Emissions are not relevant

**Relevance of location-based Scope 2 emissions from this source**
Emissions are not relevant

**Relevance of market-based Scope 2 emissions from this source (if applicable)**
Emissions are not relevant

**Explain why the source is excluded**
Retail sites are generally located in shopping strips or shopping centres. In the case of shopping strips, air conditioning systems are typically small and refrigerants are considered immaterial. For shopping centres, air conditioning is generally provided by base building equipment which serves the entire shopping centre and is outside Wetspac's operational control; therefore outside our reporting boundary.

---

## C6.5

**(C6.5) Account for your organization’s Scope 3 emissions, disclosing and explaining any exclusions.**

**Purchased goods and services**

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

12927

**Emissions calculation methodology**

Paper (non-carbon paper consumption): EPA Victoria: Greenhouse Gas Emission Factors for Office Copy Paper (October 2013) Secure Paper Destruction: NGA Factors. Couriers: EPA Victoria: Greenhouse Gas Emission Factors for Courier Services

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Explanation**

Paper Consumption, Non Carbon Neutral: Paper consumption includes office and copy paper, other paper items (e.g. statements) and paper product purchased through Westpac’s Preferred Suppliers which is not certified as carbon neutral. Emission factors are sourced from the Victorian EPA. Paper Consumption, Carbon Neutral: Total tonnage of carbon neutral office and copy paper and other paper product purchased through Westpac’s Preferred Suppliers. No carbon equivalent included in Scope 3 emissions. Secure Paper Destruction: Emission from paper waste are emissions which are a result of paper sent to customers or used for external purposes which are assumed to be sent to landfill. Data is sourced from the Westpac Preferred Supplier which supplies paper products which are primarily used externally. The emission factor for paper and cardboard from NGA Factors is applied. Couriers: Scope 3 Emission from couriers was added as part of FY 2016–17 NCOS reporting in Australia in line with NCOS requirement to include additional Scope 3 emission sources.

**Capital goods**

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e**

**Emissions calculation methodology**

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

**Explanation**

Emissions from capital goods have been excluded from our inventory due to the materiality of the emissions source. Given the nature of our organisations as a service company, emission from capital goods do not contribute significantly to Scope 3 emissions and are therefore immaterial.

**Fuel-and-energy-related activities (not included in Scope 1 or 2)**

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

19120

**Emissions calculation methodology**

NGA Factors; 2015 MfE (Emission Factors and Methods) from the 2013 calendar year

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Explanation**

Emissions from electricity, natural gas and vehicle fleet transmission and distribution losses were calculated based on consumption data from supplier invoices.

### Upstream transportation and distribution

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e**

**Emissions calculation methodology**

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

**Explanation**

Emissions from upstream transportation and distribution have been excluded from our inventory due to the materiality of the emissions source. Given the nature of our organisations as a service company, emissions from upstream transportation and distribution do not contribute significantly to Scope 3 emissions and are therefore immaterial.

### Waste generated in operations

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

1979

**Emissions calculation methodology**

NGA Factors; 2015 MfE (Emission Factors and Methods) from the 2013 calendar year

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

22.98

**Explanation**

Waste: Emissions from waste sent to landfill is only calculated for Westpac group commercial offices, data centres and the retail network, and excludes ATMs. For commercial facilities and data centres invoice data provided by the waste contractor or building manager is used where available. For sites where invoice data is not available, waste to landfill is estimated based on averages from properties in the same portfolio for which actual data is available. For Retail Sites waste data is based on representative waste audits and extrapolated across the retail branch network using FTE figures. The emission factor for Commercial and Industrial waste from NGA Factors is applied. In New Zealand, emissions from waste were calculated based on waste audits conducted at all commercial offices and approximately 45% of retail branches.

### Business travel

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

12934

**Emissions calculation methodology**

UK DEFRA GHG conversion factors for company reporting ; 2015 MfE (Emission Factors and Methods) from the 2013 calendar year For air travel (excl. radiative forcing factor and including DEFRA greater circling uplift factor)

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Explanation**

Emission from air travel, fleet, rental cars, taxi usage and hotel occupancy were calculated based on supplier reports.

### Employee commuting

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e**

**Emissions calculation methodology**

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

**Explanation**

Emissions from transportation of employees between their homes and WBC in vehicles not owned or operated by WBC is excluded from our inventory due to WBC's limited ability to influence transport infrastructure in city locations where most corporate offices are located. These emissions do not contribute significantly to Scope 3 emissions and are therefore immaterial.

### Upstream leased assets

#### Evaluation status
Relevant, calculated

#### Metric tonnes CO2e
21530

#### Emissions calculation methodology
Base building consumption data is manually apportioned based on the NLA occupied by Westpac/total NLA of site. For annual reporting where the landlord does not provide the data requested, the total base building emissions are estimated based upon the NABERS rating of the site. Where a NABERS rating is not available for a particular site, the base building emissions are estimated based upon the average base building emissions per square metre of the sites where actual invoice data was processed. Emission factors are sourced from NGA Factors 2016.

#### Percentage of emissions calculated using data obtained from suppliers or value chain partners
89.6

#### Explanation
Base building emissions are reported for all Australian commercial offices and data centres, including subsidiaries.

### Downstream transportation and distribution

#### Evaluation status
Not relevant, explanation provided

#### Metric tonnes CO2e

#### Emissions calculation methodology

#### Percentage of emissions calculated using data obtained from suppliers or value chain partners

#### Explanation
Emissions from downstream transportation and distribution have been excluded from our inventory due to the materiality of the emissions source in context of a service organistaion. These emissions do not contribute significantly to Scope 3 emissions and are therefore immaterial.

### Processing of sold products

#### Evaluation status
Not relevant, explanation provided

#### Metric tonnes CO2e

#### Emissions calculation methodology

#### Percentage of emissions calculated using data obtained from suppliers or value chain partners

#### Explanation
Emissions from processing of sold products have been excluded from our inventory due to the materiality of the emissions source in context of a service organistaion. These emissions do not contribute significantly to Scope 3 emissions and are therefore immaterial.

### Use of sold products

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

0

**Emissions calculation methodology**

The number of metric tonnes financed in our lending 'products' sold to customers (corporate or retail) is not yet fully calculated in our Scope 3 disclosures however we disclose our exposures to emissions intensive sectors through our sustainability performance report and investor discussion pack. The methods include metrics around quality of coal in our thermal coal lending portfolio, the emissions intensity of our exposure to the electricity generation sector, the carbon intensity of our investment portfolio in our funds management business and the technology split of our lending to climate solutions and electricity generation portfolios. We also participate in several fora including the Science Based Targets Initiative to assist in the development of a comprehensive and accepted methodology by which to calculate financed emissions. In the interim we have conducted scenario analysis to understand sectors most likely to be impacted in the transition to a 2 degree economy economy. This has informed new lending thresholds for sectors such as thermal coal mining and coal-fired generation being established under our climate change position statement (and subsequently our risk frameworks). Our performance against these thresholds and our overall exposure to emissions intensive sectors is reported every 6 months. (see also Scenario Analysis) Our exposure to mining represents less than 1% of our total committed exposures. Coal mining represents approximately 6% of our total mining exposure. As an example our climate change position statement sets our thresholds for lending to thermal coal mines . Our lending to customers in the Thermal Coal Sector is limited to those that have a calorific value which ranks in the top quartile globally (we define the first quartile as having a specific energy content of at least 5,700 kCal/kg Gross As Received). Limit lending to any new thermal coal mines or projects (including those of existing customers) to only existing coal producing basins and where the calorific value for that mine ranks in at least the top 15% globally. We define the top 15% as having a specific energy content of at least 6,300 kCal/kg Gross As Received.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Explanation**

Emissions from use of sold products is considered material. We monitor our exposures to emissions intensive sectors and report these every 6 months in our financial and sustainability reporting. We use scenario analysis to ensure that the lending restrictions to emissions intensive sectors articulated in our Climate Change Position Statement remain aligned to a 2 degree economy. We continue to participate in several industry fora including SBTi to develop an accepted methodology for financed emissions. We report inter alia the emissions intensity of our lending to electricity generation sector, our exposure to the coal mining sector, compliance of our coal exposures to defined quality parameters, the emissions intensity of our portfolio in our funds management business and the technology split in our lending to both climate solutions and electricity generation.

### End of life treatment of sold products

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e**

**Emissions calculation methodology**

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

**Explanation**

Emissions from end of life treatment of of sold products have been excluded from our inventory due to the materiality of the emissions source in context of a service organistaion. These emissions do not contribute significantly to Scope 3 emissions and are therefore immaterial.

### Downstream leased assets

#### Evaluation status
Not relevant, explanation provided

#### Metric tonnes CO2e

#### Emissions calculation methodology

#### Percentage of emissions calculated using data obtained from suppliers or value chain partners

#### Explanation
Emissions from downstream leased assets have been excluded from our inventory due to the materiality of the emissions source in context of a service organistaion. These emissions do not contribute significantly to Scope 3 emissions and are therefore immaterial.

### Franchises

#### Evaluation status
Not relevant, explanation provided

#### Metric tonnes CO2e

#### Emissions calculation methodology

#### Percentage of emissions calculated using data obtained from suppliers or value chain partners

#### Explanation
Emissions from franchises have been excluded from our inventory due to the materiality of the emissions source in context of a service organistaion. These emissions do not contribute significantly to Scope 3 emissions and are therefore immaterial.

### Investments

#### Evaluation status
Relevant, calculated

#### Metric tonnes CO2e
230

#### Emissions calculation methodology
Our funds management business measures the carbon intensity of its portfolio. The weighted average carbon intensity is measured as the portfolio’s exposure to each company’s carbon intensity. Each company’s carbon intensity is expressed in tonnes of carbon dioxide equivalents ($tCO_2e$) per million Australian dollars of revenue. This metric is calculated consistently with the guidance for Asset Owners contained in the Annex to the “Recommendations of the Task Force on Climate-related Financial Disclosures” (TCFD). Portfolio weighted average carbon intensity is in the range of 224-243 tCO2e/$m

#### Percentage of emissions calculated using data obtained from suppliers or value chain partners
74

#### Explanation
Emissions intensity of BTFG's portfolios are included as part of our Sustainability Performance Report

### Other (upstream)

#### Evaluation status
Not relevant, explanation provided

#### Metric tonnes CO2e

#### Emissions calculation methodology

#### Percentage of emissions calculated using data obtained from suppliers or value chain partners

#### Explanation
No other (upstream) Scope 3 emission sources have been identified.

Other (downstream)

**Evaluation status**
Not relevant, explanation provided

**Metric tonnes CO2e**

**Emissions calculation methodology**

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

**Explanation**
No other (upstream) Scope 3 emission sources have been identified.

## C6.7

**(C6.7) Are carbon dioxide emissions from biologically sequestered carbon relevant to your organization?**
No

## C6.10

**(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.**

**Intensity figure**
6.16

**Metric numerator (Gross global combined Scope 1 and 2 emissions)**
134237

**Metric denominator**
unit total revenue

**Metric denominator: Unit total**
21802

**Scope 2 figure used**
Location-based

**% change from previous year**
17.5

**Direction of change**
Please select

**Reason for change**
Total revenue in a banking context is regarded to be the sum of net interest income and non-interest income - or total operating income before operating expenses and impariment charges. [As Westpac has a 30 September year-end for financial data and a 30 June year end for environmental data, the intensity figure is gross global combined Scope 1 and 2 emissions in metric tonnes CO2 as at 30 June 2017 dived by total revenue (million $) as at 30 September 2017.] The decrease from 7.47 to 6.16 between 2016 and 2017 can be attributed to the increase in total revenue and a decrease in Scope 1 and 2 emissions as a result of emission reduction activities noted within this submission and the transfer of operational control of our Western Sydney Data Centre.

# C7. Emissions breakdowns

## C7.1

**(C7.1) Does your organization have greenhouse gas emissions other than carbon dioxide?**

Yes

## C7.1a

**(C7.1a) Break down your total gross global Scope 1 emissions by greenhouse gas type and provide the source of each used greenhouse warming potential (GWP).**

| Greenhouse gas | Scope 1 emissions (metric tons of CO2e) | GWP Reference |
|---|---|---|
| CO2 | 6910.5 | IPCC Fourth Assessment Report (AR4 - 100 year) |
| CH4 | 3.82 | IPCC Fourth Assessment Report (AR4 - 100 year) |
| N2O | 32.67 | IPCC Fourth Assessment Report (AR4 - 100 year) |
| HFCs | 2327 | IPCC Fourth Assessment Report (AR4 - 100 year) |

## C7.2

**(C7.2) Break down your total gross global Scope 1 emissions by country/region.**

| Country/Region | Scope 1 emissions (metric tons CO2e) |
|---|---|
| Australia | 6791 |
| New Zealand | 1901 |
| United Kingdom of Great Britain and Northern Ireland | 204 |
| Other, please specify (Pacific (including Fiji and PNG)) | 378 |

## C7.3

**(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.**

By activity

## C7.3c

**(C7.3c) Break down your total gross global Scope 1 emissions by business activity.**

| Activity | Scope 1 emissions (metric tons CO2e) |
|---|---|
| Stationary - Natural Gas | 1057 |
| Stationary - Diesel | 387 |
| Transport Fuels - Fleet | 5503 |
| Refrigerants | 2327 |

## C7.5

(C7.5) Break down your total gross global Scope 2 emissions by country/region.

| Country/Region | Scope 2, location-based (metric tons CO2e) | Scope 2, market-based (metric tons CO2e) | Purchased and consumed electricity, heat, steam or cooling (MWh) | Purchased and consumed low-carbon electricity, heat, steam or cooling accounted in market-based approach (MWh) |
|---|---|---|---|---|
| Australia | 121224 | 0 | 148469 | 0 |
| New Zealand | 1807 | 0 | 21927 | 0 |
| Other, please specify (Rest of World) *Includes UK, Fiji and PNG.* | 1932 | 0 | 5254 | 0 |

## C7.6

**(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.**

By activity

## C7.6c

**(C7.6c) Break down your total gross global Scope 2 emissions by business activity.**

| Activity | Scope 2, location-based emissions (metric tons CO2e) | Scope 2, market-based emissions (metric tons CO2e) |
|---|---|---|
| Commercial Offices - Australia | 45421 | |
| Retail Network - Austrlalia | 53704 | |
| ATM's - Australia | 3185 | |
| Data Centre - Auistralia | 18503 | |
| Subsidiaries - Australia | 412 | |
| Operations - New Zealand | 1807 | |
| Operations - Rest of World | 1932 | |

## C7.9

**(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?**

Decreased

## C7.9a

**(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined) and for each of them specify how your emissions compare to the previous year.**

| | Change in emissions (metric tons CO2e) | Direction of change | Emissions value (percentage) | Please explain calculation |
|---|---|---|---|---|
| Change in renewable energy consumption | 0 | No change | 0 | Implementation of a 100kW solar PV system at our Kogarah offices was completed at the end of FY17. However, electricity generation did not commence until the beginning of FY18 and will be reported next year. |
| Other emissions reduction activities | 2856 | Decreased | 1.82 | During 2016–17 Westpac Group have implemented a number of energy efficiency projects including lighting and HVAC upgrades which have reduced the overall energy consumption, Our total S1 and S2 emissions in FY16 were 156,701 tCO2-e; therefore we arrived at an 1.82% reduction (-2,856 tCO2-e/ 156,701 tCO2-e * 100). |
| Divestment | 0 | No change | | |
| Acquisitions | 0 | No change | | |
| Mergers | 0 | No change | | |
| Change in output | 0 | No change | | |
| Change in methodology | 0 | No change | | |
| Change in boundary | 9920 | Decreased | 6.3 | Westpac transferred operational control of the Western Sydney Data Centre to Fujitsu, therefore no longer reporting emissions under Scope 2. However, this activity is now being reported as Scope 3 emissions, which resulted in a net reduction of 8,503 tonnes from the overall emission inventory. Our total S1 and S2 emissions in FY16 were 156,701 tCO2-e; therefore we arrived at an 6.3% reduction (-9,920 tCO2-e/ 156,701 tCO2-e * 100). |
| Change in physical operating conditions | 1567 | Decreased | 1 | Due to the transition of new ToT vehicles to diesel in the fleet in 2015–16, there has been a 39% decrease in petrol usage and an uplift in diesel usage in Australia. Further reductions in fleet emissions have resulted in a reduction of vehicles in both Australia and New Zealand. Our total S1 and S2 emissions in FY16 were 156,701 tCO2-e; therefore we arrived at an 1% reduction (-1,567 tCO2-e/ 156,701 tCO2-e * 100). |
| Unidentified | 0 | No change | | |
| Other | 8121 | Please select | 5.18 | During 2016–17, Westpac managed the closure of 55 locations (1 Commercial and 54 Retail outlets) while opening 25 locations (2 x Commercial, 23 Retail). The result of this property consolidation across Westpac resulted in a significant reduction in electricity consumption and carbon emissions. Our total S1 and S2 emissions in FY16 were 156,701 tCO2-e; therefore we arrived at an 5.18% reduction (-8,121 tCO2-e/ 156,701 tCO2-e * 100). |

## C7.9b

**(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?**

Location-based

# C8. Energy

## C8.1

**(C8.1) What percentage of your total operational spend in the reporting year was on energy?**

More than 0% but less than or equal to 5%

## C8.2

**(C8.2) Select which energy-related activities your organization has undertaken.**

| | Indicate whether your organization undertakes this energy-related activity |
|---|---|
| Consumption of fuel (excluding feedstocks) | Yes |
| Consumption of purchased or acquired electricity | Yes |
| Consumption of purchased or acquired heat | No |
| Consumption of purchased or acquired steam | No |
| Consumption of purchased or acquired cooling | No |
| Generation of electricity, heat, steam, or cooling | No |

## C8.2a

**(C8.2a) Report your organization’s energy consumption totals (excluding feedstocks) in MWh.**

| | Heating value | MWh from renewable sources | MWh from non-renewable sources | Total MWh |
|---|---|---|---|---|
| Consumption of fuel (excluding feedstock) | HHV (higher heating value) | 0 | 28216 | 28216 |
| Consumption of purchased or acquired electricity | <Not Applicable> | 0 | 175892 | 175892 |
| Consumption of purchased or acquired heat | <Not Applicable> | <Not Applicable> | <Not Applicable> | <Not Applicable> |
| Consumption of purchased or acquired steam | <Not Applicable> | <Not Applicable> | <Not Applicable> | <Not Applicable> |
| Consumption of purchased or acquired cooling | <Not Applicable> | <Not Applicable> | <Not Applicable> | <Not Applicable> |
| Consumption of self-generated non-fuel renewable energy | <Not Applicable> | <Not Applicable> | <Not Applicable> | <Not Applicable> |
| Total energy consumption | <Not Applicable> | | 204108 | 204108 |

## C8.2b

**(C8.2b) Select the applications of your organization’s consumption of fuel.**

| | Indicate whether your organization undertakes this fuel application |
|---|---|
| Consumption of fuel for the generation of electricity | Yes |
| Consumption of fuel for the generation of steam | No |
| Consumption of fuel for the generation of cooling | No |
| Consumption of fuel for co-generation or tri-generation | No |

## C8.2c

**(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.**

**Fuels (excluding feedstocks)**
Natural Gas

**Heating value**
HHV (higher heating value)

**Total fuel MWh consumed by the organization**
4524

**MWh fuel consumed for the self-generation of electricity**

**MWh fuel consumed for self-generation of heat**
4524

**MWh fuel consumed for self-generation of steam**
<Not Applicable>

**MWh fuel consumed for self-generation of cooling**
<Not Applicable>

**MWh fuel consumed for self- cogeneration or self-trigeneration**
<Not Applicable>

---

**Fuels (excluding feedstocks)**
Diesel

**Heating value**
HHV (higher heating value)

**Total fuel MWh consumed by the organization**
1532.5

**MWh fuel consumed for the self-generation of electricity**
1532.5

**MWh fuel consumed for self-generation of heat**

**MWh fuel consumed for self-generation of steam**
<Not Applicable>

**MWh fuel consumed for self-generation of cooling**
<Not Applicable>

**MWh fuel consumed for self- cogeneration or self-trigeneration**
<Not Applicable>

---

**Fuels (excluding feedstocks)**
Liquefied Petroleum Gas (LPG)

**Heating value**
HHV (higher heating value)

**Total fuel MWh consumed by the organization**
0.28

**MWh fuel consumed for the self-generation of electricity**

**MWh fuel consumed for self-generation of heat**
0.28

**MWh fuel consumed for self-generation of steam**
<Not Applicable>

**MWh fuel consumed for self-generation of cooling**
<Not Applicable>

**MWh fuel consumed for self- cogeneration or self-trigeneration**
<Not Applicable>

---

## C8.2d

**(C8.2d) List the average emission factors of the fuels reported in C8.2c.**

**Diesel**

**Emission factor**
70.2

**Unit**
kg CO2e per GJ

**Emission factor source**
NGER (2016-17 Measurement Determination)

**Comment**

**Liquefied Petroleum Gas (LPG)**

**Emission factor**
60.6

**Unit**
kg CO2e per GJ

**Emission factor source**
NGER (2016-17 Measurement Determination)

**Comment**

**Natural Gas**

**Emission factor**
51.53

**Unit**
kg CO2e per GJ

**Emission factor source**
NGER (2016-17 Measurement Determination)

**Comment**

## C8.2f

**(C8.2f) Provide details on the electricity, heat, steam and/or cooling amounts that were accounted for at a low-carbon emission factor in the market-based Scope 2 figure reported in C6.3.**

**Basis for applying a low-carbon emission factor**
No purchases or generation of low-carbon electricity, heat, steam or cooling accounted with a low-carbon emission factor

**Low-carbon technology type**
<Not Applicable>

**MWh consumed associated with low-carbon electricity, heat, steam or cooling**
<Not Applicable>

**Emission factor (in units of metric tons CO2e per MWh)**
<Not Applicable>

**Comment**

## C9. Additional metrics

### C9.1

**(C9.1) Provide any additional climate-related metrics relevant to your business.**

**Description**
Waste

**Metric value**
1979

**Metric numerator**
tonnes CO2-e

**Metric denominator (intensity metric only)**

**% change from previous year**
2.4

**Direction of change**
Decreased

**Please explain**
Tonnes CO2-e from waste to landfill in Australian operations.

---

**Description**
Other, please specify (Water Consumption)

**Metric value**
611

**Metric numerator**
tonnes CO2-e

**Metric denominator (intensity metric only)**

**% change from previous year**
7.4

**Direction of change**
Decreased

**Please explain**
Tonnes CO2-e of water consumption from Australian operations

---

## C10. Verification

### C10.1

**(C10.1) Indicate the verification/assurance status that applies to your reported emissions.**

| | Verification/assurance status |
|---|---|
| Scope 1 | Third-party verification or assurance process in place |
| Scope 2 (location-based or market-based) | Third-party verification or assurance process in place |
| Scope 3 | Third-party verification or assurance process in place |

## C10.1a

**(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 and/or Scope 2 emissions and attach the relevant statements.**

**Scope**
Scope 1

**Verification or assurance cycle in place**
Annual process

**Status in the current reporting year**
Complete

**Type of verification or assurance**
Reasonable assurance

**Attach the statement**
NGER Reasonable Assurance Statement_FY17.pdf

**Page/ section reference**
Pg. 2-5; Auditors Cover Sheet and Conclusion

**Relevant standard**
Australian National GHG emission regulation (NGER)

**Proportion of reported emissions verified (%)**
73

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**Scope**
Scope 2 location-based

**Verification or assurance cycle in place**
Annual process

**Status in the current reporting year**
Complete

**Type of verification or assurance**
Reasonable assurance

**Attach the statement**
NGER Reasonable Assurance Statement_FY17.pdf

**Page/ section reference**
Pg. 2-5; Auditors Cover Sheet and Conclusion

**Relevant standard**
Australian National GHG emission regulation (NGER)

**Proportion of reported emissions verified (%)**
97

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**Scope**
Scope 1

**Verification or assurance cycle in place**
Annual process

**Status in the current reporting year**
Complete

**Type of verification or assurance**
Limited assurance

**Attach the statement**
Westpac_Sustainability_report_2017.pdf

**Page/ section reference**
Pg. 105-106; PWC Independent Assurance Report to the Board of Directors of Westpac Banking Corporation

**Relevant standard**
ASAE3000

**Proportion of reported emissions verified (%)**
100

---

**Scope**
Scope 2 location-based

**Verification or assurance cycle in place**
Annual process

**Status in the current reporting year**
Complete

**Type of verification or assurance**
Limited assurance

**Attach the statement**
Westpac_Sustainability_report_2017.pdf

**Page/ section reference**
Pg. 105-106; PWC Independent Assurance Report to the Board of Directors of Westpac Banking Corporation

**Relevant standard**
ASAE3000

**Proportion of reported emissions verified (%)**
100

---

## C10.1b

**(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.**

**Scope**
Scope 3- all relevant categories

**Verification or assurance cycle in place**
Annual process

**Status in the current reporting year**
Complete

**Attach the statement**
NCOS Assurance Statement_FY17.pdf

**Page/section reference**
Pg. 2-8; PWC Independent Assurance Report to the Board of Directors of Westpac Banking Corporation

**Relevant standard**
Other, please specify (AU National Carbon Offset Standard)

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## C10.2

**(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?**
Yes

## C10.2a

**(C10.2a) Which data points within your CDP disclosure have been verified, and which verification standards were used?**

| Disclosure module verification relates to | Data verified | Verification standard | Please explain |
|---|---|---|---|
| Please select | Other, please specify (Lending to climate solutions) | The AA1000 AccountAbility Principles (2008); and - comprehensive' level of 'in accordance' requirements of the Global Reporting Initiative's G4 Guidelines; | Metrics for total attributable financing to climate solutions are third-party assured by PWC in accordance with The AA1000 AccountAbility Principles (2008); and – Its self-declared 'comprehensive' level of 'in accordance' requirements of the Global Reporting Initiative's G4 Guidelines. |
| Please select | Other, please specify (Lending to climate solutions) | The AA1000 AccountAbility Principles (2008); and - comprehensive' level of 'in accordance' requirements of the Global Reporting Initiative's G4 Guidelines; | Metrics for distribution by technology type for lending to climate solutions are third-party assured by PWC in accordance with The AA1000 AccountAbility Principles (2008); and – Its self-declared 'comprehensive' level of 'in accordance' requirements of the Global Reporting Initiative's G4 Guidelines. |
| C6. Emissions data | Year on year emissions intensity figure | The AA1000 AccountAbility Principles (2008); and - comprehensive' level of 'in accordance' requirements of the Global Reporting Initiative's G4 Guidelines; | Metrics for Westpac electricity generation portfolio emissions intensity are third-party assured by PWC in accordance with The AA1000 AccountAbility Principles (2008); and – Its self-declared 'comprehensive' level of 'in accordance' requirements of the Global Reporting Initiative's G4 Guidelines. |
| Please select | Other, please specify (Exposure to mining sector by commodity) | The AA1000 AccountAbility Principles (2008); and - comprehensive' level of 'in accordance' requirements of the Global Reporting Initiative's G4 Guidelines; | Metrics for mining exposure distribution by customer commodity are third-party assured by PWC in accordance with The AA1000 AccountAbility Principles (2008); and – Its self-declared 'comprehensive' level of 'in accordance' requirements of the Global Reporting Initiative's G4 Guidelines. |

# C11. Carbon pricing

## C11.1

**(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?**

No, and we do not anticipate being regulated in the next three years

## C11.2

**(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?**

Yes

## C11.2a

**(C11.2a) Provide details of the project-based carbon credits originated or purchased by your organization in the reporting period.**

**Credit origination or credit purchase**

Credit purchase

**Project type**

Fugitive

**Project identification**

Bintulu Combined-Cycle Project STG Unit No.9, Tanjung Kidurong, Bintulu, Sarawak. Kyoto Project #MY2594

**Verified to which standard**

CDM (Clean Development Mechanism)

**Number of credits (metric tonnes CO2e)**
95309

**Number of credits (metric tonnes CO2e): Risk adjusted volume**
95309

**Credits cancelled**
Yes

**Purpose, e.g. compliance**
Voluntary Offsetting

---

**Credit origination or credit purchase**
Credit purchase

**Project type**
Fugitive

**Project identification**
Leak reduction in above ground gas distribution equipment in the Gas Distribution Network UZTransgaz- Markazgas (UzTG) - Leak detection and repair in gas production, processing, transmission, storage and distribution systems and in refinery facilities. Kyoto Project # UZ-3339

**Verified to which standard**
CDM (Clean Development Mechanism)

**Number of credits (metric tonnes CO2e)**
47909

**Number of credits (metric tonnes CO2e): Risk adjusted volume**
47909

**Credits cancelled**
Please select

**Purpose, e.g. compliance**
Please select

---

**Credit origination or credit purchase**
Credit purchase

**Project type**
Wind

**Project identification**
Wind power project by GFL in Gudhepanchgani. Kyoto Project # IN-1615.

**Verified to which standard**
CDM (Clean Development Mechanism)

**Number of credits (metric tonnes CO2e)**
53997

**Number of credits (metric tonnes CO2e): Risk adjusted volume**
53997

**Credits cancelled**
Yes

**Purpose, e.g. compliance**
Voluntary Offsetting

---

## C11.3

**(C11.3) Does your organization use an internal price on carbon?**

Yes

## C11.3a

**(C11.3a) Provide details of how your organization uses an internal price on carbon.**

**Objective for implementing an internal carbon price**

Navigate GHG regulations
Stakeholder expectations
Change internal behavior
Drive energy efficiency
Drive low-carbon investment
Stress test investments
Identify and seize low-carbon opportunities
Supplier engagement

**GHG Scope**

Scope 1
Scope 2
Scope 3

**Application**

Company-wide

**Actual price(s) used (Currency /metric ton)**

20

**Variance of price(s) used**

Westpac factors the cost of carbon credits into its budget processes as part of its commitment to carbon neutrality. The cost range of credits can vary from AUD0.50-AUD25 depending on quality, vintage and other market factors. Westpac undertook climate change scenario analysis to understand the longer term impacts to the Australian and New Zealand economies, including risks and opportunities of limiting global warming to less than two degrees Celsius. The carbon price range used in this analysis is publicly available at: https://www.westpac.com.au/about-westpac/sustainability/news-resources-and-ratings/9-nov-16-climate-change-scenario-analysis-summary-released/. The research modelled three scenarios and examined the impact of a carbon price ranging from USD20 to USD300 over short, medium and long term horizons.

**Type of internal carbon price**

Implicit price
Offsets

**Impact & implication**

The 3 scenarios represented plausible pathways to a low carbon economy based on diff approaches to global cooperation and timing of action. Each scenario includes assumptions for technological, social, economic & environmental factors, drawing from a broad base of existing research, including regarding carbon pricing. To provide an indicative view of the impact on the AU economy, we analysed a number of financial & reputational metrics under each scenario across all major sectors. The financial metrics allowed us to consider the financial competitiveness of each sector in response to the economy-wide transition to a low carbon future. The transition is modelled using a total effective carbon price to represent a range of measures that could be used to achieve the required emissions abatement. This process helped inform our approach to transitional risks including the policy, legal, technology and; financial impacts related to climate change, as well as the business implications of physical risks such as changes in climate patterns and extreme weather events. It has also underpinned our new ambitious financing targets for climate change solutions which are based on an economy-wide pathway to net zero emissions by 2050. To address climate-related risks, we have enhanced our approach to lending to emissions intensive sectors. We support customers that are in, or reliant on, these sectors andwho assess the financial implications of climate change on their business, including how their strategies are likely to perform under various forward-looking scenarios and demonstrate a rigorous approach to governance, strategy setting, risk management and reporting. We have also developed additional criteria for customers in the energy sector, including specific published requirements for electricity generation and thermal coal, and the agribusiness sector given their potential contribution to global greenhouse gas emissions.

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**Objective for implementing an internal carbon price**

Change internal behavior
Drive energy efficiency
Identify and seize low-carbon opportunities

**GHG Scope**
Scope 1
Scope 2
Scope 3

**Application**
An internal price of carbon will be apportioned across all WNZL business units that contribute to operational emissions

**Actual price(s) used (Currency /metric ton)**
20

**Variance of price(s) used**
Price is based on the capped price of NZU

**Type of internal carbon price**
Implicit price

**Impact & implication**
Too early in the project to specify. Identified potential top line principles and benefits include; • Setting a price of carbon extends existing business practice to another cost line as such the BU resourcing projections are available (no new information is required). • Responsible BUs have the ability to manage resources from a cost perspective therefore they will only require clarity on CO2 impacts and carbon off-setting costs. • Integrating carbon emissions into existing business decision making frameworks needs a different lens to be applied – not a different process. • An internal price of carbon will only succeed if the transaction costs do not outweigh the benefits.

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## C12. Engagement

## C12.1

**(C12.1) Do you engage with your value chain on climate-related issues?**
Yes, our suppliers
Yes, our customers
Yes, other partners in the value chain

## C12.1a

**(C12.1a) Provide details of your climate-related supplier engagement strategy.**

**Type of engagement**
Compliance & onboarding

**Details of engagement**
Climate change is integrated into supplier evaluation processes

**% of suppliers by number**
31

**% total procurement spend (direct and indirect)**

**% Scope 3 emissions as reported in C6.5**

**Rationale for the coverage of your engagement**
Assessment of compliance against the Responsible Sourcing Code of Conduct through an assessment process that tailors questions to suppliers' circumstances & specific sustainability risks. Our target is to complete assessment for our Top 100 Suppliers by spend, ensuring these suppliers are covered by the risk analysis - including economic, environmental, & social risks. We ask suppliers about supply chain practices covering social, ethical & environmental criteria, & whether they have a code of conduct or policy on ethics & business conduct (eg covering bribery, corruption, fraud). The new Responsible Sourcing Assessment process commenced in late FY2017; therefore 31 Suppliers were assessed by end of FY17. We have not captured % of total procurement spend (direct/indirect) or % of Scope 3 emissions for FY17.

**Impact of engagement, including measures of success**
The Westpac Group expects its suppliers to minimise the environmental impacts associated with their products and services, and from their operational footprint, including offices, manufacturing and processing facilities, and transport and distribution. Impacts relating to greenhouse gas emissions, air quality, energy efficiency, water and wastewater, waste and hazardous materials, biodiversity impacts, lifecycle impacts of products and services, and packaging, where relevant, should be measured, monitored, managed and minimised. Suppliers are encouraged to source and supply credible third party certified products. Mitigation plans are utilised for our suppliers, whose activities are outside of our operational control, but where we can exert a degree of influence to address rights issues and breaches.

**Comment**
The Westpac Group expects its suppliers to commit to the principles, values and spirit of this Responsible Sourcing Code of Conduct, and adhere to these expectations within any contract agreed between itself and the Westpac Group. Suppliers will be required to comply with Westpac Group processes that seek to demonstrate or validate compliance, including responding fully and honestly in relation to any requests for information, providing reasonable access to relevant documentation and supplier premises, and acting promptly on issues identified by the Westpac Group. The Responsible Sourcing Assessment process is now active and integrated within market engagement processes within Aus. Assessments targeting existing contracts for the Top 100 Suppliers by spend was completed in March 2018. Currently developing timeline of implementation for RS Assessment Framework to other operating regions (Pacific, Asia, New Zealand, USA and UK). The new RSCoC better supports us to manage and mitigate risks within WBG supply chain through an improved understanding issues associated with specific sourcing categories, & beyond supplier risk, to incorporate commodity, sector, country and reputational risk. It focuses mgt effort more towards material issues & impacts identified through the assessment process. It includes provisions for validation & corrective & preventative actions. Adherence to the RSCoC will be reported annually.

## C12.1b

**(C12.1b) Give details of your climate-related engagement strategy with your customers.**

**Type of engagement**
Education/information sharing

**Details of engagement**
Share information about your products and relevant certification schemes (i.e. Energy STAR)

**Size of engagement**
100

**% Scope 3 emissions as reported in C6.5**
100

**Please explain the rationale for selecting this group of customers and scope of engagement**
In developing our Climate Change Position Statement , we consulted widely with stakeholders including customers - in particular those impacted by the new parameters outlined in the Statement. Since the adoption of the Statement we have conducted a number of client calls, events, and roundtables to explain the the approach, methodology and learning from both the scenario analysis which informed the statement and development of the Statement itself. The scope of the engagement is varied depending on the particular focus of the discussion - for example, for our climate solutions lending target we engage customers involved in the renewable energy, green building and other clean-tech sectors. For aspects of the Position Statement concerning new restrictions on lending to thermal coal, coal-based energy generation or agribusiness we will engage our customers to help them assess the financial implications of climate-related risks and opportunities in their business, including how their strategies are likely to perform under various forward looking scenarios. More broadly we engage a broader set of customers through in-house events or through industry fora such as the Carbon Markets Institute, IGCC and Sustainable Business Council (NZ) to share our experience and knowledge gained from working with climate scenarios and the development of enterprise-wide climate strategies. Specific areas of engagement may include a subset of our customers; broader aspects of our approach are shared widely with all our stakeholders including our customers.

**Impact of engagement, including measures of success**
Our lending to climate solutions has grown from $6bn to $7bn over the period.

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## C12.1c

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**(C12.1c) Give details of your climate-related engagement strategy with other partners in the value chain.**

In developing our Climate Change Position Statement , we consulted widely with stakeholders including NGOs, investors, policy-makers and the general public, in addition to customers and suppliers.

Depending on the stakeholder our engagement may include:

- one to one meetings - for example with concerned NGOs, both to understand their perspectives and explain the details of our work

- written correspondence - for example to respond to investor or regulator surveys and letters

- collaborative projects around a particular theme - for example our participation in the Australian Business Roundtable for Disaster Resilience and Safer Communities

- general advertising to showcase progress against our climate strategy to the mainstream public

- hosting or participating in industry fora to share experiences on our climate-related work

Our approach to engagement on climate change is guided by our stakeholder engagement framework, materiality assessments and our Climate Change Position Statement. Our stakeholder engagement framework sets out Westpac Group's approach to engaging with its stakeholders to deepen its understanding of evolving expectations, priorities and concerns, to help ensure we are responding appropriately. Our materiality assessment takes on feedback obtained via stakeholder engagement, together with an assessment of industry trends, internal reports and independent research, grounded in both the Global Reporting Initiative's G4 guidance and the AA1000 AccountAbility Principles Standard. Our Climate Change Position Statement and 2020 Action Plan was developed using these methods and sets out the principles and key actions to guide our priorities for climate-related engagement over a three year period. The Climate Change Position Statement sets our company specific climate-related engagement strategy, our methods of engagement, how we prioritise these engagements and how we measure our progress.

Measures of success can include feedback from investors and broader reputational metrics, ranking and results from surveys such as CDP, DJSI and others; competitor benchmarking and industry ranking by independent reports; feedback from NGOs, shareholders and the nature and frequency of campaign activity.

A specific example of engagement with partners in our value chain beyond suppliers and customers is the development of TCFD-aligned reporting materials which feature in our financial and sustainability reporting. Westpac has expressed public support for the TCFD and has aligned its reporting to this framework to assist a wide range of partners, including investors, to engage with our climate work.

In line with our Group commitment, WNZL is committed to operating sustainably and in a manner consistent with a 2 degree economy.

Following the Westpac Economics Team in New Zealand issuing an evaluation of the country's approach to CC commitments and evaluating it efficiency in February 2016, WNZL has continued to promote awareness of climate change opportunities and risk. In 2017 we engaged EY to assess the climate change impactions facing the country's economy through to the middle of the century and published this research in April 2018, to contribute to the public knowledge and debate and adaptation approaches to climate change. We have actively engaged our customers and wider stakeholders to raise awareness and discuss business implications. Our GM Commercial, Corporate and Institutional is chair of the Climate Leaders Group of SBC, annually we sponsor the Climate Change and Business Conference to expand knowledge and engage with stakeholders on climate change.

## C12.3

**(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?**

Direct engagement with policy makers

Trade associations

Funding research organizations

## C12.3a

**(C12.3a) On what issues have you been engaging directly with policy makers?**

| Focus of legislation | Corporate position | Details of engagement | Proposed legislative solution |
|---|---|---|---|
| Mandatory carbon reporting | Support with minor exceptions | Engaged on the design and implementation of the Emissions Reduction Fund in Australia. Westpac reports under NGER annually. | WBC supported the use of the Australian National Greenhouse & Energy Reporting (NGERs) as the basis for the proposed Emissions Reduction Fund in Australia and supported maintaining current reporting thresholds. Westpac has publicly reported on environmental performance and climate change since 2002. |
| Cap and trade | Support | Submitted to Dept of Environment and Energy - Review of Climate Change Policies (2017) which included reiterating our support for a market-based mechanism. In addition we have discussed our views on climate policy, including cap and trade, with the Federal Department of the Environment and Energy on a number of occasions and have participated in private consultations with the Minister and Shadow Minster for the Environment on climate policy. In New Zealand, WNZL engages with Government policy-makers as part of the consultation process on proposed changes to the NZ ETS (stages 1 &2). | WBC's core position is set out in our recently refreshed Climate Change Position Statement approved by the Board and Executive Team. This informs all government engagement, including our submissions to the Climate Change Authority – Special Review Second Draft Report: Australia's Climate Policy Options, the New Zealand Emissions Trading Scheme Review in 2016 and the Australian Government Review of Climate Change Policies (2017). This articulates Westpac's ongoing support for a broad market-based price on carbon - which we consider to be the most effective, affordable, flexible and equitable means of achieving emissions reductions at the least cost across the economy. In addition, Westpac notes that climate related policy design and implementation must: include a suite of complimentary policies; be capable of achieving the NDC's agreed under Paris; and support investment in low emissions tech and adaptation . |
| Clean energy generation | Support | In 2017 we submitted to the Dept of Environment and Energy - Review of Climate Change Policies which included strategies to develop and deploy low-emissions technology that provide sufficient investment certainty. Engaged with the Government regarding clean energy policy and financing including inputting to the 2016 Finkel Review on Energy Security, focusing on policy options to ensure low cost, reliable, low carbon energy supply in Australia. Westpac advocated for increased policy certainty to drive investment in clean energy generation, and the investment and market implications of a number of matters under consideration as part of the review . This included how policy can best avoid creating further barriers to clean energy financing and how to develop and implement innovative financing solutions. | WBC's core position, set out in our recently refreshed Climate Change Position Statement is approved by the Board and Executive Team and informs all government engagement. In particular we propose that policies and strategies to develop and deploy low-emissions technology must be able to deliver a clear framework and provide certainty over a timeline sufficient to match investment horizons which are, by nature, long-term. Aligned to this, in our 2017 submission to Australia's Review of Climate Change Policies, we outlined that after multiple iterations over the last decade, it is imperative for Australian businesses that policies intended to achieve Australia's Nationally-Determined Contributions (NDC) at least cost are also assessed for their ability to endure, providing the certainty of scheme which will unlock genuine investment and innovation in clean energy generation. |
| Adaptation or resilience | Support | As a member of the Australian Business Roundtable for Disaster Resilience and Safer Communities (ABR), together with IAG, Optus, Munich Re, Investa and the Red Cross. WBC advocates for better policy and funding for resilience and adaptation. Over the past 5 years the ABR has delivered 5 research reports examining the issue of disaster resilience in Australian communities, the latest was rleased in 2017 - Building Resilience to Natural Disasters in our States and Territories. These reports have demonstrably served to inform public discourse and policy development on resilience. | In 2017, through our involvement in ABR we made a submission to Dept. of Treasury advocating for improved funding for disaster mitigation and climate adaption in the Federal Budget in Feb 2017. In our 2017 submission to the Department of Energy and Environment's Review of Climate Change Policies we advocated for strategies to increase resilience and promote adaptation for impacted communities, companies and sectors, highlighting that upfront investment in disaster mitigation, climate adaptation and community resilience has the potential to not only lessen potential devastation and suffering experience by individuals, but also result in a positive net impact on future budgets. |
| Climate finance | Support with minor exceptions | In 2017 we submitted to the Dept of Environment and Energy - Review of Climate Change Policies which included strategies to develop and deploy low-emissions technology that provide sufficient investment certainty. In addition we have discussed our views on climate policy, including climate finance, with the Federal Department of the Environment and Energy on a number of occasions and have engaged with the Minister and Shadow Minster for the Environment on climate policy. In NZ, WNZL view was incorporated with the Sustainable Business Council submission to the NZ Productivity Commission. WNZL also hosted a Climate Change Seminar with the Minister for Climate Change as the keynote speaker. | In our 2017 submission to Australia's Review of Climate Change Policies, we outlined that after multiple iterations over the last decade, it is imperative for Australian businesses that policies intended to achieve Australia's Nationally-Determined Contributions (NDC) at least cost are also assessed for their ability to endure, providing the certainty of scheme which will unlock genuine investment and innovation in climate finance. In our 2016 submission to the Finkel Review Westpac advocated for increased policy certainty to drive investment in climate finance (clean energy generation), and the investment and market implications of a number of matters under consideration as part of the review . In previous years WBC has engaged with Government and policy-makers as part of the consultation process on the design of the Emission Reduction Fund and 'Safeguard Mechanism'. Westpac argued that the policy framework should incorporate longer contract periods and greater linking to international markets. |
| Please select | Please select | | |

## C12.3b

**(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?**

Yes

## C12.3c

**(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.**

**Trade association**
Business Council of Australia

**Is your position on climate change consistent with theirs?**
Consistent

**Please explain the trade association's position**
The BCA has a high level position on energy and climate change issues, which is consistent with WBC's view. This includes the development of an integrated, national and bipartisan energy and climate change policy framework that can deliver the following four key goals: Secure and reliable energy supply Affordable energy supply Strong, internationally competitive economy Meet current and future absolute emission reduction targets.

**How have you, or are you attempting to, influence the position?**
WBC is a longstanding member and participant on the Board of the BCA. WBC has an active role in discussion regarding climate change and energy policy with the BCA and supports the BCAs call for durable, national, climate change policies that are integrated with broader energy policy. WBC has supported the BCA's active role in the national discussion regarding climate change and energy regulations and we continue to maintain an ongoing dialogue with policy directors within the BCA on key areas of carbon policy development.

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**Trade association**
Australian Financial Markets Association

**Is your position on climate change consistent with theirs?**
Consistent

**Please explain the trade association's position**
AFMA engages with regulatory and government authorities on a number of aspects of the technical design, implementation and operation of the Australian carbon market and related impacts.

**How have you, or are you attempting to, influence the position?**
WBC participated in policy engagement via the Carbon Markets Committee and as a member of the AFMA Electricity Committee. As an active market participant, we actively engage in formulating core positions based on practical market experience.

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**Trade association**
New Zealand Financial Markets Association

**Is your position on climate change consistent with theirs?**
Consistent

**Please explain the trade association's position**
NZFMA engages with regulatory and government authorities on a number of aspects of the technical design, implementation and operation of the NZ carbon market and related impacts.

**How have you, or are you attempting to, influence the position?**
WBC is on the board of the NZFMA Carbon Markets Committee and actively engaged in formulating core positions based on practical market experience.

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**Trade association**
Investor Group on Climate Change (IGCC)

**Is your position on climate change consistent with theirs?**
Consistent

**Please explain the trade association's position**
IGCC aims to encourage government policies and investment practices that address the risks and opportunities of climate change, for the ultimate benefit of superannuates and unit holders. Focus areas include: Policy & Advocacy Be an effective voice for investors in the climate change policy debate. Assist the development of climate change policy to support an efficient transition to a sustainable low carbon economy. Investor Practice Increase investor understanding of climate change issues and impacts. Help our members develop the tools, resources and practical responses needed to effectively manage climate change risks and pursue low carbon investment. Industry Engagement Engage the investor and finance community to increase awareness of climate change

risks and opportunities. Engage with industries across the economy to increase awareness of climate change as a financial risk.

**How have you, or are you attempting to, influence the position?**
Through BT Financial Group's membership in the IGCC we support the development of investment practices that seek to address the risks and opportunities of climate change.

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**Trade association**
The Carbon Market Institute (CMI)

**Is your position on climate change consistent with theirs?**
Consistent

**Please explain the trade association's position**
CMI is an Australian membership-based not-for-profit organisation which engages with Government and business to promote policy outcomes to assist Australian business meet the challenges and opportunities associated with carbon markets and build capacity a low-carbon world.

**How have you, or are you attempting to, influence the position?**
WBC is an active Corporate Member, which involves speaking at CMI's flagship, annual Emissions Reduction Summit and engaging in policy and private finance working groups. We continue to reinforce the importance of a price on carbon to support a transition to two degrees in line with CMI's own position.

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**Trade association**
New Zealand Sustainable Business Council

**Is your position on climate change consistent with theirs?**
Consistent

**Please explain the trade association's position**
NZSBC, local chapter of the WBCSD, is an executive-led organisation that advocates a sustainable business. Activities include providing business leadership to inform debate and policy development on issues such as climate change and developing business position on accelerating a shift to a low-emissions economy in NZ. It recognises that CC is a significant issue that will affect every section of society and business has a critical role as driver of innovation, source of investment and engine for lasting economic growth and prosperity. Positive transition to a low carbon economy requires a partnership approach.

**How have you, or are you attempting to, influence the position?**
WNZL is Chair of the Climate Leader Group, involved in CEO Leadership Group and provided input to SBC submission on government policy options i.e Submission to the NZ Productivity Commission

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**Trade association**
Business New Zealand Climate Leaders' Initiative

**Is your position on climate change consistent with theirs?**
Consistent

**Please explain the trade association's position**
Business New Zealand, is a representative organisation for NZ businesses and employers. Business New Zealand Climate Leaders' Initiative, provides an avenue to collaborate on outcomes and accelerate a shift to a low-emissions economy in N.Z., by magnifying the impact of business efforts to bring climate change into the mainstream.

**How have you, or are you attempting to, influence the position?**
General Manager of Commercial, Corporate & Institutional banking chairs the Business New Zealand Climate Leaders' Initiative, representing a collective of business ambition and proactively addresses the aspirations set out in Paris.

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**Trade association**
Climate Bonds Initiative

**Is your position on climate change consistent with theirs?**
Consistent

**Please explain the trade association's position**
Climate Bonds Initiative (CBI) is an international, investor-focused not-for-profit working solely on mobilising the $100 trillion bond market for climate change solutions. The CBI promotes investment in projects and assets necessary for a rapid transition to a low-carbon and climate resilient economy

**How have you, or are you attempting to, influence the position?**
WBC is a partner to the CBI and has set ambitious targets to facilitate up to AUD3 billion in climate change solutions by 2020

including green bond issuance and arrangement. We support the climate bonds taxonomy and are influencing and working with the CMI to ensure that any new sector standards are complaint with a transition to a two degree economy. This is part of the bank's commitment to increase its target for lending to the sector from AUD6 billion to AUD10 billion by 2020 and AUD25 billion by 2030.

## C12.3d

**(C12.3d) Do you publicly disclose a list of all research organizations that you fund?**

Yes

## C12.3f

**(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?**

Our climate change position has been formally endorsed by the Board and Executive Team. All policy activities must be in line with this approved position and are reviewed by our Group Head of Sustainability and Head of Government and Industry Affairs to ensure consistency with our overall Climate Change Strategy. Substantive policy changes are overseen by the Group Sustainability Council and escalated through Executive and Board channels where required. There are approved spokespeople on climate related issues, consistent with our approach to a range of issues. Our Group Sustainability Risk Management Framework set out roles and responsibilities for identifying, managing and reporting on all ESG risks and issues, including climate change. This guides approach to engagement activities, with all our stakeholders, including customers and suppliers, where material sustainability risks, including those related to climate change, are identified.

In addition there is climate change information on the 'let's talk' section of our intranet and employee mobile phone app which provides information to our employees on our position, and 'frequently asked questions'. We also have key information on databases used by branch and contact centre staff to support a consistent and coordinated message across our employee and customer base.

In New Zealand engagement with government and other policy activities are guided by our local sustainability strategy, which was developed after assessing the issues facing New Zealand over the next 30 years and our relevance as a financial institution and where we can have the most impact. This strategy has been endorsed by the NZ Board and is overseen by a Steering Committee comprised of the WNZL ET and Chief Economist. Our internal Head of Sustainability (NZ) responsible for delivery of this strategy is also Head of Government Relations for the bank which supports a policy engagement approach with is consistent with our climate change strategy. He works closely with our General Manager CC&I who leads on WNZL's actions towards and promotion of NZ transition to a low carbon economy.

## C12.4

**(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).**

**Publication**
In mainstream reports in accordance with TCFD recommendations

**Status**
Complete

**Attach the document**
ASX_Interim_Financial_Announcement_2018.pdf

**Content elements**

Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets

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**Publication**
In other regulatory filings

**Status**
Complete

**Attach the document**
FINAL_WBC_presentation_and_IDP_website.pdf

**Content elements**
Emissions figures
Emission targets
Other metrics

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**Publication**
In voluntary sustainability report

**Status**
Complete

**Attach the document**
Westpac_Sustainability_report_2017.pdf

**Content elements**
Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets

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**Publication**
In other regulatory filings

**Status**
Complete

**Attach the document**
NGER Reasonable Assurance Statement_FY17.pdf
NCOS Assurance Statement_FY17.pdf

**Content elements**
Governance
Emissions figures
Emission targets

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**Publication**
In voluntary communications

**Status**
Complete

**Attach the document**
WestpacCCEActionPlan.pdf

**Content elements**
Governance
Strategy
Risks & opportunities
Emission targets
Other metrics

## C14. Signoff

## C-FI

**(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.**

## C14.1

**(C14.1) Provide details for the person that has signed off (approved) your CDP climate change response.**

| | Job title | Corresponding job category |
|---|---|---|
| Row 1 | Group Head of Sustainability | Other, please specify (Group Head of Sustainability) |

## Submit your response

**In which language are you submitting your response?**

English

**Please confirm how your response should be handled by CDP**

| | Public or Non-Public Submission | I am submitting to |
|---|---|---|
| I am submitting my response | Public | Investors |

**Please confirm below**

I have read and accept the applicable Terms