Climate Change Position Statement and 2023 Action Plan.

We have committed to sourcing 100% of our global electricity consumption from renewable sources by 2025. Bomen Solar Farm, Wagga Wagga is key to the first phase of this transition.
Westpac recognises that climate change is one of the most significant issues that will impact the long-term prosperity of the global economy and our way of life.

We are committed to managing our business in alignment with the Paris Agreement and the need to transition to a net zero emissions economy by 2050.

This includes how we provide financial services, support communities, operate our facilities, engage on matters of policy, and contribute to industry initiatives.

This is Westpac’s fourth Climate Change Position Statement and Action Plan. It builds on our strong track record, detailing the principles on which our work is based.

**Our principles:**

1. A transition to a net zero emissions economy is required by 2050.
2. Economic growth and emissions reductions are complementary goals.
3. Addressing climate change creates opportunities.
4. Climate-related risk is a financial risk.
5. Collective action, transparency and disclosure matter.

It also outlines the next phase of actions we are taking to meet our commitment to the Paris Agreement and United Nations Sustainable Development Goals (SDGs).

As a financial institution, we believe the most constructive role we can play is to work with customers and communities to respond to the challenge of climate change. We are also focused on reducing greenhouse gas emissions from our own operations and supporting industry and government initiatives to achieve the goals of the Paris Agreement.

**Our actions:**

1. Help customers and communities respond to climate change.
   - Aim to provide $3.5 billion of new lending to climate change solutions over the next three years.
   - Ensure our financing of the electricity generation sector supports Paris-aligned transition pathways to a net zero emissions economy by 2050.
   - Support existing thermal coal customers, with a commitment to reduce our exposure to zero by 2030.
   - Advance our Paris-aligned financing strategies and portfolio targets, with annual updates.
   - Provide access to products and services that can help customers to reduce the energy consumption, and improve the resilience of their homes.
   - Help communities become more resilient to climate change and the transition to a low carbon economy.

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

3. Support initiatives and policies to achieve the goals of the Paris Agreement.
   - Support policy outcomes aligned to net zero emissions by 2050.

We will continue to evolve our approach as science, technology and policy develop.
Our principles.

The principles underpinning our approach to climate change.

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

Net zero emissions means the greenhouse gases emitted globally must equal the emissions captured. This requires initiatives like increased adoption of renewable energy and clean technologies, bio-sequestration, and reducing deforestation.

The sooner we can reach net zero emissions, the more opportunity we have to meet the Paris Agreement’s long-term temperature goal. The path to net zero emissions needs to be well planned and occur in an orderly fashion to reduce transition risks.

2. Economic growth and emissions reductions are complementary goals.

We seek to play a constructive and responsible role in the development of an appropriate policy response to climate change for the economies in which we operate.

While there is an upfront investment required to decarbonise the global economy, our research indicates that policies that incentivise and support early transition will lead to stronger economic growth and resilience over the medium and long term.

Westpac’s preferred policy position is that a broad, market-based price on carbon is the most effective, affordable, flexible and equitable means of achieving emissions reductions, at the least cost, across the economy.

3. Addressing climate change creates opportunities.

Efforts to reduce global greenhouse gas emissions and to address the physical impacts of climate change require changes in investment patterns and a shift in business models.

As a major financial institution, Westpac can act as a market facilitator, supporting customers and communities to adopt measures that will support a just transition to a more resilient and prosperous society.

4. Climate-related risk is a financial risk.

Risks associated with climate change have environmental, social and economic dimensions and are predicted to impact all aspects of society.

These factors have the potential to have financial impacts through property damage, business disruption, human health effects and market dislocation.

Westpac has long understood that climate-related risk is a financial risk. This is why we have been taking action on this issue for over a decade and are committed to taking strong action.

5. Collective action, transparency and disclosure matter.

Addressing climate change requires collective action, engagement and collaboration with a range of stakeholders. This includes customers, government, investors, regulators, industry initiatives, non-government organisations and community groups.

Accurate, timely and relevant information about climate-related risks and opportunities is key to assessing and managing the impacts of climate change.

We seek to be transparent about how we are addressing these impacts across our business, and how we work with our customers to manage climate-related risks and opportunities.
Over 310,000 solar panels at Bomen Solar Farm will generate enough electricity to power the equivalent of 36,000 homes annually.
**Help business customers.**

We provide our business customers\(^1\) with a range of innovative sustainable finance structures including green deposits, green bonds and sustainability-linked loans.

We acknowledge that our own commitments to operate our business in line with the goals of the Paris Agreement mean that we must clearly set out expectations for our customers, recognising that our financing activity must align with activities that support efforts to keeping a global temperature rise this century to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 degrees Celsius.

We continue to evolve our sustainable finance approach, recognising the role financial institutions can play in facilitating the transition to a low carbon economy, and helping customers to manage the range of impacts they are likely to experience from climate change.

**We will:**

- Support solutions and technology that accelerate the transition to a low carbon economy, aiming to provide $3.5 billion of new lending to climate change solutions over the next three years, and $15 billion in the next 10 years to 2030\(^2\);
- Engage customers, particularly those operating in the most emissions intensive and climate-vulnerable sectors, to develop financing strategies that can support their response to climate change impacts, with a focus on our largest and most material customer relationships;
- Be transparent about our ESG policies and Sector Criteria, articulating the conditions under which we will and will not provide finance to certain sectors. Our current sector criteria are described in further detail below; and
- Engage with industry and government initiatives that support a climate-resilient economy.

**Sector Criteria.**

Our approach to financing emissions-intensive sectors is grounded in the principles, benchmarks and underwriting standards established in this Position Statement.

It is based on a thorough assessment and understanding of the industry life-cycle of the particular sector, and the implications of climate change science.

**We will:**

- Guide business customers in, or reliant on, emissions-intensive and climate-vulnerable sectors to:
  - 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 their governance, strategy setting, risk management, and reporting on climate-related risks and opportunities.
- Develop Paris-aligned financing strategies and portfolio targets, particularly for sectors representing the majority of our financed emissions, working in collaboration with our customers and industry experts and providing annual updates on progress.

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1. Customers from our Institutional, Corporate and Commercial segments.
2. Targets are currently for Institutional, Corporate and Commercial segments and informed by analysis of capital investment required for a “well below 2-degrees” outcome. ‘New lending’ is incremental and does not include refinancing. Targets will be reviewed at least every three years to reflect changes in technology, policy, climate science and investment assumptions and as our approach evolves. Our climate change solutions definition can be found in the glossary of our Sustainability Performance Report. We will continue to provide six-monthly updates on our Total Committed Exposure to climate change solutions.
We have conducted preliminary analysis of our financed emissions profile and in addition to the criteria for the energy system and agribusiness outlined below, we expect to include property, manufacturing and transport in our future work on sector-based approaches.

Energy system.
Our focus on the energy system recognises its critical role in the transition to a low carbon economy. Given their significant contribution to emissions, we have set criteria for mining and electricity generation financing activities.

Mining.
Westpac’s Total Committed Exposure (TCE) to mining represented around 1% of Group TCE at 31 March 2020. Coal mining was around 0.06% of Group TCE. In New Zealand our lending to coal mining is zero and we have no plans to recommence financing this sector in our New Zealand business.

Thermal coal mining.
Our thermal coal mining portfolio reflects long-standing efforts to manage our lending to this sector in line with strict quality requirements.

We will:
- Continue to support our existing thermal coal mining customers, managing our portfolio in line with a commitment to reduce our exposure to zero by 2030.
- In the interim, we will:
  - not establish relationships with new thermal coal mining customers;
  - limit support for thermal coal mines or projects to existing basins; and
  - maintain strict quality criteria.

Metallurgical coal mining.
We will:
- Continue to provide financing for metallurgical coal mining and seek to support technological developments and industry initiatives that reduce the dependence of the steel industry on coal; and
- Require that any material component of production from new metallurgical mines that is used for the purposes of electricity generation meets our existing standard.

Oil and gas.
We will continue to assess the role of oil and gas in the transition to a low carbon economy and to develop Paris-aligned financing strategies and portfolio targets for emissions intensive sectors, working with our customers. In the interim we will continue to provide finance to the sector in line with our ESG policies and commitment to the Paris Agreement.

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

4. Average calorific value on a Gross As Received basis must be at least 5,700 kCal/kg for existing mines; and at least 6,300 kCal/kg Gross As Received for new mines.

5. This includes not providing project finance to oil and gas exploration and development in high risk frontier basins such as Arctic and Antarctic refuges, and for oil sands development.
Electricity generation.

We recognise that the reduction of the emission intensity of electricity networks is critical for the economy to reach net zero emissions by 2050.

To date we have actively managed the emissions intensity of our exposure to the electricity generation sector. As a result:

- The share of renewables in our exposure to the electricity generation sector was 75%; and
- The emissions intensity of our electricity generation portfolio in Australia was 0.26 tCO₂e/MWh, well below the National Electricity Market benchmark of 0.75 tCO₂e/MWh.

Our analysis of the Australian electricity market under Paris-aligned scenarios to 2050 showed:

- Demand for thermal coal generation declining;
- Gas playing a role over the medium term, particularly to provide ‘firming’ for intermittent renewable energy sources and use in industrial processes, before a stronger trend to lower-cost renewables;
- New investment in solar and wind, supported by grid-scale storage technologies, bringing the renewable energy mix in the Australian electricity grid to around 90% by 2050; and
- Demand for electricity continuing to rise as other sectors decarbonise through the electrification of energy.

In considering financing decisions in the electricity generation sector we will:

- Take into account the intersecting requirements of emissions reduction, affordability, energy security and reliability, and the feasibility of emerging low emissions technologies (e.g. carbon capture and storage);
- Consider the impact of the transition on vulnerable households, regional communities and trade-exposed industries; and
- Ensure our financing supports Paris-aligned transition pathways to a net zero emissions economy by 2050 including by reducing the emissions intensity of our electricity generation portfolio in line with the following targets:
  - 0.23 tCO₂e/MWh by 2025; and
  - 0.18 tCO₂e/MWh by 2030.

Agribusiness.

Agribusiness plays a fundamentally important role in providing food and other essential goods to people, driving economic growth, reducing poverty and supporting livelihoods and communities.

The agribusiness sector has an important role to play in managing and mitigating the risks and opportunities associated with climate change.

In line with our Agribusiness Position Statement we will:

- Assist customers to meet the challenge of both transition and physical risks associated with climate change, and to maximise opportunities to reduce greenhouse gas emissions arising from the adoption of new technologies and farming techniques; and
- Undertake further analysis to build on our understanding of the short, medium and long-term climate change risks and opportunities in our major agribusiness portfolios, and how we can continue to support our customers to respond.
Help individual customers and communities.

Westpac is committed to helping individual customers and communities to understand and respond to the impacts of climate change. We recognise that climate change may affect their communities, homes and investments in many ways. We also understand that the most vulnerable members of our society may be disproportionately impacted, and that some communities will require additional support as industries transition to a low carbon economy.

As a major lender and insurer to the housing sector we have an important role to play in helping our customers to prepare and respond. We understand the important role of insurance and how steps to prepare for natural disasters can reduce the cost of protecting homes. We can support measures to improve the efficiency and resilience of homes to minimise their ongoing running costs and reduce the financial impact of increases in the scale, frequency and severity of natural disasters.

We can also support communities to take the collective measures required to adapt to both acute and chronic changes in weather patterns brought about by climate change. Our experience of working with customers and communities through times of natural disaster has shown that the more prepared and resilient a community is, the quicker it is able to recover.

We are also 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. We recognise that providing more information about these climate-related impacts can assist those who invest with us to more accurately assess these risks and opportunities.

We will:

• Help customers become more climate-resilient by:
  - providing access to products and services that support upgrades to homes to reduce energy consumption and to improve resilience to natural disasters; and
  - providing information to help customers understand and prepare for the impacts of natural disasters on their homes and communities.

• Support customers to get back on their feet after experiencing a natural disaster event by:
  - helping vulnerable customers access hardship assistance;
  - 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.

• Continue to evolve information and options available for customers who invest via BT to assist them when making an investment choice, including by providing:
  - annual disclosure of our approach to assessing climate-related risk within the portfolios BT manages internally, including default MySuper Lifestage Funds;
  - relevant environmental, social and governance (ESG) information and tools to enable those who invest with BT to understand where risks may lie within their investment portfolios; and
  - solutions across BT’s products that seek to align to customers’ preferences.

• Help communities become more climate-resilient by:
  - supporting research and investment into helping communities adapt and become resilient to climate-related impacts, such as through the Australian Business Roundtable on Disaster Resilience and Safer Communities; and
  - focusing aspects of our community investment on areas and regions potentially impacted by the transition to a low carbon economy, working with customers, governments and community partners to develop economic opportunities.

6. For more information please refer to the BT Sustainable Investment Approach and BT Climate-related Disclosures available at bt.com.au/sustainability.
Action 2. Improve the climate change performance of our own operations.

We are committed to reducing the climate change impacts of our own operations, seeking to align our business with the trajectory required to achieve a net zero emissions economy by 2050.

To date we have:

• Exceeded our target to reduce our Group Scope 1 and Scope 2 emissions by 9% by 2020\(^7\), reducing emissions by 18% over a three-year period through a combination of energy efficiency initiatives, on-site solar PV, and property and ATM consolidation;

• Maintained our certification as a carbon neutral organisation and disclosed our progress under the requirements of the National Carbon Offset Standard for Organisations (NCOS); and

• Committed to sourcing the equivalent of 100% of our global electricity consumption through renewable sources by 2025. The first phase of the commitment is expected to be operational by mid-2020 and to deliver a 45% transition to renewables by 2021.

We will:

• Continue to reduce emissions from our own operations in alignment with a science-based trajectory, including through:
  - targets to reduce our Scope 1 and 2 emissions from a 2016 base year by:
    - 85% by 2025; and
    - 90% by 2030.
  - a target to reduce our Scope 3 – Supply Chain Emissions from a 2016 base year by 35% by 2030.

• Offset any remaining carbon emissions and maintain carbon neutrality across our business in accordance with NCOS.

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\(^7\) 2016 Scope 1 and 2 baseline: 147,620 tCO\(_2\)e.
Addressing climate change requires collective action and collaboration. We recognise the important role we can play by supporting and participating in international, national and industry-based initiatives to progress collective action on climate change. Examples include our participation in:

- United Nations Environment Programme Finance Initiative’s (UNEP FI) Principles for Responsible Banking
- Australian Sustainable Finance Initiative
- Australian Business Roundtable for Disaster Resilience and Safer Communities
- Corporate Sustainability Working Group of the Australian Banking Association
- RE100
- Science Based Target Initiative
- Investor Group on Climate Change
- Climate Action 100+
- Climate Leaders Coalition, New Zealand
- Sustainable Finance Forum of the Aotearoa Circle, New Zealand.

We will also seek to join the UNEP FI’s Collective Commitment to Climate Action.

We also know that the policy response to climate change, both globally and domestically, will influence the speed of the transition, the industries that will be impacted and ultimately the outcomes for society, the economy and our business. Westpac’s preferred policy position with regards to climate change comprises four core pillars:

1. An effective policy response to climate-related issues requires a suite of complementary policies.
2. These policies need to be capable of achieving the Nationally Determined Contributions (NDCs) that represent each country’s committed reductions targets in the short and medium-term and give consideration to the long-term target of reducing emissions to net zero by 2050.
3. Policies should:
   - deliver a clear framework to support the development and deployment of low-emissions technology by providing certainty over a timeline sufficient to match investment horizons which are often long-term; and
   - include strategies to increase resilience and promote adaptation for impacted communities, companies and sectors.
4. A broad market-based price on carbon is the most effective, affordable, flexible and equitable means of achieving emissions reductions at the least cost across the economy.

To play our part in advancing the finance sector’s response to climate change we will:

- Continue to provide information and insight from our experience to help drive policy outcomes aligned to net zero emissions by 2050;
- Work with peer organisations, industry groups and non-government organisations to collaborate and share information;
- Continue to support a broad market-based price on carbon, as the most effective, affordable, flexible and equitable means of achieving emissions reductions, at the least cost, across the economy; and
- Continue to review our membership of industry associations and their advocacy activity with regards to climate change in line with our Industry Association Principles.
Twelve local women participated in Bomen’s industry first Women in Solar initiative, gaining training and employment in the construction of the solar farm.

Our approach to climate change.
Our progress to date.

Westpac has a long history of action on climate change. We were the first Australian bank to release a climate change position statement in 2008 and to commit to the goals of the Paris Agreement in 2015.

1991
Founding member of the United Nations Environment Programme (UNEP).

1996
First bank to join Australian Greenhouse Challenge.

2003
One of nine founding signatories to Equator Principles.

2008-2013
First Climate Change Position Statement.

2005
Relationship with Investor Group on Climate Change established.

2012
Commitment to carbon neutrality across our business.

2014
Signed Montreal Carbon Pledge and endorsed Global Investor Statement on Climate Change.

2015
Commitment to UN Sustainable Development Goals and Paris Climate Agreement.

2016
2-degrees Climate Scenario Analysis.

2017
Signatory to Climate Action 100+.

2018
4-degrees Climate Scenario Analysis.

2019
1.5-degrees Climate Scenario Analysis.

2020-2023

Climate Change Position Statement and 203 Action Plan.
Our progress to date.

Our work over an extended period means we have made significant progress positioning our business for the impacts of climate change, and supporting customers and communities.

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

**Grown our lending to climate change solutions from $6.1 billion to $9.3 billion since 2016.**

**Developed a range of innovative financial products including green bonds, sustainability-linked loans and the world’s first certified Green Tailored Deposit.**

**Reduced our greenhouse gas emissions (Scope 1 & 2) by 18% since 2016.**

**Committed to sourcing the equivalent of 100% of our global electricity consumption from renewable sources by 2025 and joined RE100.**

**Supported the development of a new solar facility as part of the first phase of our transition to renewables, creating local jobs in regional Australia and spending with local suppliers.**

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

**Applied stringent lending standards in the thermal coal sector, transitioning our lending to focus on metallurgical coal and high-quality thermal coal, and ceasing funding for expansion of thermal coal mining in new basins.**
Our approach to climate change management.

We review our Position Statement every three years and seek to understand our stakeholders’ perspectives on climate change. To do this we regularly:

- Engage with customers, investors, industry bodies, non-government organisations and community representatives;
- Conduct research and scenario analysis to remain informed and understand the latest climate change science;
- Participate in industry-based forums with local and international peers; and
- Benchmark ourselves against well-respected climate and sustainability indices and surveys.

Oversight.

The Board has oversight of our approach to and management of climate change. This Position Statement is reviewed by the Executive Team and approved by the Board every three years.

The Board Risk and Compliance Committee considers and approves Westpac’s Sustainability Risk Management Framework (which includes climate change risks) every two years and oversees the risk profile for material risks.

The implementation and management of Westpac’s response to climate change is delegated to Group Executives.

Our Sustainability Council (Council) consists of senior leaders from across the Group and has responsibility for overseeing Westpac’s sustainability agenda, including climate change. The Council meets at least quarterly and has climate change as a standing agenda item. The Council reports to the Executive Team and Board through twice-yearly updates.

Various committees oversee different elements of the Group’s climate change strategy:

- The Sustainable Finance Committee coordinates initiatives to achieve our climate solutions targets. It reports to the Council;
- The Climate Change Risk Committee oversees work to identify and manage the potential impact on credit exposures from climate change-related transition and physical risks across the Group. It reports to the Group Credit Risk Committee; and
- The Environment Management Committee oversees strategies and initiatives to reduce the Group’s environmental footprint, particularly targets around energy and emissions. It reports to the Council.

Divisional risk committees consider the climate change dimensions of our business activities as required.

We will:

- Continue to evolve our approach to align with changes in legal and regulatory requirements;
- Continue to assess the risks from climate change at Board and Executive levels;
- Allocate responsibility for our overall approach and management of climate change to the Chief Executive Officer;
- Allocate responsibility for day-to-day management of climate change to appropriate senior leaders;
- Allocate appropriate resources to meet the requirements of our climate change response;
- Provide the Board with internal reporting that provides a sufficient view of the short, medium and long-term risks and opportunities of climate change, and the assumptions underpinning our analysis; and
- Appropriately reflect the requirements of our climate change response in our remuneration structures for responsible executives and managers.
Strategy.

Our strategy is based on the following commitments:

1. We will continue to help customers and communities respond to climate change;
2. We will continue to improve the climate change performance of our operations;
3. We will continue to support initiatives and policies to achieve the goals of the Paris Agreement.

These commitments are explained in further detail on pages 4 to 10.

Risk management.

Climate change risks are managed within our risk management framework. We seek to understand the potential for climate-related transition, physical and litigation risks to impact our business, in particular the possible impact on credit risk, regulatory and reporting obligations, and our reputation. We use scenario analysis to inform our assessment and management of climate-related risks over short, medium and long-term horizons.

We review our Risk Management Framework, Risk Management Strategy, Sustainability Risk Management Framework, risk appetite measures and policies ensuring the criteria set out in our Position Statement are integrated. These criteria are applied at the portfolio, customer and transaction level where appropriate.

Disclosure.

We understand that relevant, accurate, comparable and timely information is important to a range of stakeholders, and that continuing to assess and disclose the nature of climate-related impacts to our business will help promote efficient capital markets and broader financial system stability.

This includes our commitment to disclosure in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

We provide extensive information on our climate change performance through our half-year and full-year reporting, and participate in a range of industry benchmarks and surveys. Definitions for our climate change metrics and targets are available in the glossary of our Sustainability Performance Reports and Carbon Neutral Program: Public Disclosure Summary.

We will continue to expand the scope of our reporting and aim to meet the evolving expectations of stakeholders.
Contact.
For questions and comments, please contact Westpac Group Sustainability: sustainability@westpac.com.au westpac.com.au/sustainability

Acknowledgement of Country and Traditional Owners.
Westpac Group acknowledges Aboriginal and Torres Strait Islander peoples, Australia’s First Peoples, and recognises their ongoing role as Traditional Owners of the lands, waters and skies of this country. We pay our respects to their elders past, present and emerging and reiterate our commitment to working in partnership with our Indigenous customers, employees and communities to advance Reconciliation.