

# EXECUTIVE SUMMARY

## Building on our history of action

Taking action on climate change has long been on Westpac's agenda. As climate science has evolved, and the urgency for action increased, we have stepped up our actions and commitments.

In 2022, we substantially updated our Climate Change Position Statement and Action Plan (CCPS) and defined our ambition to become a net-zero, climate resilient bank. As part of this, we reiterated our commitment to reduce the climate impact of our own operations across our scope 1 and 2 emissions, and our scope 3 upstream emissions.

While reducing our operational emissions is important, the biggest impact we can have is to reduce the emissions intensity of our lending portfolio, also known as scope 3 financed emissions. These represent over 99% of the Group's overall emissions. Given this, in July 2022 we joined the NZBA and set emission reduction targets in five emissions intensive sectors in our lending portfolio.

In 2023, we expanded our emission reduction targets while continuing the significant but complex job of supporting customers as they transition.

## FY23 Highlights

12

SECTOR LENDING TARGETS IN 8 NZBA SECTORS

58

SUSTAINABLE FINANCE TRANSACTIONS IN FY23

2 YEARS

ACHIEVED SCOPE 1 & 2 EMISSION REDUCTION TARGET TWO YEARS AHEAD OF 2025 PLAN

▼ 24%

SCOPE 1, 2 AND SCOPE 3 UPSTREAM EMISSIONS IN 2023

One of our priorities is to assist customers, and as part of this we are piloting a new framework for some of our higher emitting customers that supports engagement and assessment of their emissions reduction plans. We believe that in most instances, collaboration is the most effective approach to achieving transformation.

To account for progress, stakeholder feedback and evolving science, we further refined the commitments in our CCPS, including updating our positions for the thermal coal mining and oil and gas sectors that better reflect our approach to lending in these sectors. To be clearer on our approach to coal mining we have also published our position on metallurgical coal mining.

## FIGURE 1: HISTORY OF ACTION ON CLIMATE CHANGE



In alignment with our climate ambitions, we launched our first Natural Capital Position Statement (NCPS) defining our ambition to become a nature positive bank. In addition, as part of our new NZBA agriculture 2030 targets (beef, sheep and dairy), we also committed to no deforestation – this requires no more conversion of natural forest to agricultural land use within farm systems from 31 December 2025 for customers that are in the scope of our agricultural targets.

Recognising the significant opportunities of climate change we have published our Sustainable Finance Framework to better identify and classify green, transition, sustainability and social financing, and set new lending and bond facilitation targets<sup>1</sup> linked to the framework.

Increasingly, management of the risks and opportunities of climate change is being embedded across our business and climate change is also referenced across our various disclosures.

<sup>1</sup> For definition of our targets, please refer to the Sustainable Finance Framework.

## 2023 actions on climate change

**REFRESHED**

**CLIMATE CHANGE POSITION STATEMENT AND ACTION PLAN**

**7 NEW**

**NZBA EMISSION REDUCTION TARGETS**

**PILOT FRAMEWORK**

**FOR ASSESSING CUSTOMER TRANSITION PLANS**

**FURTHER REDUCED**

**OPERATIONAL EMISSIONS**

**1<sup>st</sup>**

**NATURAL CAPITAL POSITION STATEMENT**

**NEW**

**SUSTAINABLE FINANCE FRAMEWORK**

### 2019

One of the founding banks to launch UNEP FI's Principles for Responsible Banking

1.5-degrees Climate Scenario Analysis

Commitment to source the equivalent of 100% of global electricity demand through renewables by 30 September 2025

New Zealand operations certified for the first time under the New Zealand Toitū carbonzero certification

### 2021

Climate change elevated to a Group-wide strategic priority

Sourced equivalent of 45% of global electricity demand from renewable sources

Joint leader manager for first sustainability -linked bond in Australia

### 2023

See above

### 2017

Third Climate Change Position Statement and Action Plan

Commenced reporting aligned to TCFD recommendations

### 2016

2-degrees Climate Scenario Analysis

### 2018

4-degrees Climate Scenario Analysis

World's first Green Tailored Deposit to be certified by internationally recognised Climate Bonds Initiative

### 2020

Fourth Climate Change Position Statement and Action Plan

### 2022

Joined NZBA and set five 2030 sector lending targets

Fifth Climate Change Position Statement and Action Plan

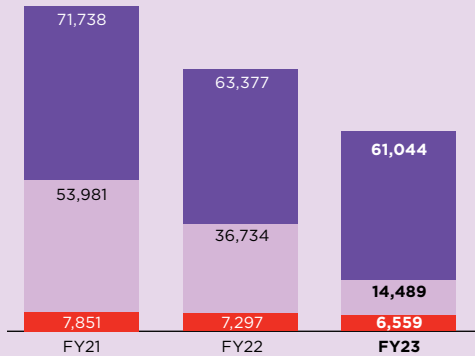
# FY23 HIGHLIGHTS

## Our direct operations

In FY23 we reduced our direct scope 1 and 2 and scope 3 upstream emissions by improving the efficiency of our operations, consolidating commercial offices, operationalising agreements to source electricity from renewables and more actively working with suppliers. Since 2021 we have achieved a 66% reduction in our scope 1 and 2 emissions, surpassing our 2025 target of a 64% reduction by two years. From April this year we achieved a significant milestone sourcing the equivalent of 100% of our Australian electricity demand from renewables.

**FIGURE 2: WESTPAC'S OPERATIONAL EMISSIONS** (tonnes of CO<sub>2</sub> equivalent)

■ Scope 1 emissions    ■ Scope 2 emissions  
■ Scope 3 emissions (Upstream)



▼ **52%**

Reduced scope 1 and 2 emissions over year<sup>1</sup>

▼ **4%**

Reduced scope 3 upstream emissions over year<sup>1,2</sup>

**100%**

Source equivalent of 100% of Australian direct electricity demand from renewables from April 2023<sup>3</sup>

**CERTIFICATION<sup>4</sup>**

Under Climate Active and Toitū net carbonzero

- For our scope 1 & 2 direct operational and scope 3 upstream targets we are using a market-based accounting method for emissions calculation. Scope 1 and 2 emissions are defined in the Appendix and 2023 Sustainability Index and Datasheet.
- Refer to Appendix or 2023 Sustainability Datasheet for details of included scope 3 upstream emissions sources and calculation methodologies including where estimates are used.
- On track to achieve 100% renewables outcome for our direct operations. 95% of this supply is expected to be sourced from within the markets the electricity is consumed. We will continue to identify opportunities to lift local sourcing to 100%, to include our Fiji and PNG businesses.
- Certification is obtained for Westpac's Australian and New Zealand direct operations (non-financed) under the Australian Government's Climate Active Carbon Neutral Standard for Organisations and the New Zealand Toitū net carbonzero certification respectively. Further information can be found on the Sustainability Performance Reports page on our website.

## Financed Emissions

We have further enhanced our models for calculating the Group's overall financed emissions as the understanding of our impact evolves.

Under our NZBA commitment to transition our lending portfolio to net-zero by 2050, we set seven new 2030 sector targets and expanded our discussions with customers to better understand their transition plans.

**TABLE 1: NZBA PROGRESS**

	SEP 22	SEP 23
<b>NZBA emissions intensive sectors with targets (out of nine)</b>	5	8
<b>Total number of 2030 NZBA targets</b>	5	12

A summary of our updated positions for key emitting sectors includes:

- For thermal coal mining - zero lending to institutional customers with a high portion of their revenue ( $\geq 15\%$ ) coming directly from thermal coal mining by 30 September 2025.
- For upstream oil and gas - subject to national energy security, no project finance or bond facilitation for the development of new (greenfield) or expansionary oil and gas fields, including new associated dedicated infrastructure unless in accordance with the IEA's NetZero by 2050 (2021) scenario.
- For metallurgical coal mining - no project finance for new (greenfield) projects.

See page 29 for full details of the sector positions including definitions and footnotes.

## Opportunities

We supported customers with 58 sustainable finance transactions in FY23. We also provided \$6.5 billion in new lending to climate change solutions from September 2020 to September 2023 well ahead of our target of \$3.5 billion.

We launched a comprehensive Sustainable Finance Framework to set out how we assess what is green, transition, social and sustainability financing and have backed that with new sustainable finance targets out to 2030.

We have achieved a lot this year, but acknowledge we have more to do, including engaging with customers on their transition plans and strengthening our climate scenario analysis.

<sup>1</sup> See Table 21 on page 43.

<sup>2</sup> For a definition of fossil fuels, refer to the Glossary in the Appendix.

▼ **3%**

Estimated financed emissions for FY23

**0.6%**

Fossil fuel energy value chain TCE (as a % of total Group TCE)

**\$127<sub>bn</sub>**

Total committed exposure (TCE) to carbon intensive sectors<sup>1</sup> (10.4% of total Group exposure)

▼ **7%**

Reduction in exposure to fossil fuel energy value chain over year<sup>2</sup>

**2030 TARGETS  
IN 8 OF 9  
NZBA SECTORS**