

Second-Party Opinion

Westpac Social Tailored Deposit Framework

Evaluation Summary

Sustainalytics is of the opinion that the Westpac Social Tailored Deposit Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Access to Essential Services, Affordable Housing and Socio-economic Advancement and Empowerment – are aligned with those recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that investments in the eligible categories will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically, SDGs 3, 4, 8, 9 and 11.



PROJECT EVALUATION AND SELECTION The Westpac Institutional Bank – Corporate and Institutional Banking, Sustainable Finance Framework Working Group and Financial Markets Balance Sheet and Product teams will be responsible for the evaluation and selection of projects and assets in line with the Framework’s eligibility criteria. Westpac has an ESG risk management process in place to identify environmental and social risks associated with the eligible activities. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Westpac’s Sustainable Finance Framework Working Group and Financial Markets Balance Sheet and Product teams will be responsible for the management of proceeds using a portfolio approach and will track their allocation using an internal booking system and dashboard. Westpac has communicated that proceeds will be fully allocated within a month of social tailored deposits raised on a notional basis. Pending full allocation, Westpac will temporarily invest the proceeds in cash, cash equivalents or other liquid marketable instruments. This is in line with market practice.



REPORTING Westpac commits to report on the allocation of proceeds and eligibility of assets on its website on an annual basis while the deposits are outstanding. Allocation reporting will cover the allocation of social tailored deposits to eligible social assets by category, including information on the financed assets, geographic locations and asset values. Sustainalytics notes that Westpac will not produce specific impact reporting relating to the individual assets but intends to assess the social impact of the social tailored deposits in the context of Westpac’s wider sustainability objectives at the group level. Sustainalytics considers impact reporting to be an essential element that ensure transparency within the sustainable finance market.

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For inquiries, contact the Sustainable Corporate Finance team

Vijay Wilfred (Mumbai)
Project Manager
vijay.wilfred@morningstar.com
(+91) 226 121 7427

Layla Ng (Singapore)
Project Support

Nachiket Goli (Mumbai)
Project Support

Vedang Kulkarni (Mumbai)
Project Support

Greg Thong (Sydney)
Client Relations
greg.thong@morningstar.com
(+61) 2 7254 2735 | (+61) 416 126 472

Introduction

Westpac Banking Corporation (“Westpac” or the “Bank”) is an Australian multinational bank that provides a range of banking and financial services, including transactional banking, financial markets, corporate and structured finance, and trade and supply chain finance. Headquartered in Sydney, Australia, Westpac employed 35,240 employees as of 30 September 2024.¹

Westpac has developed the Westpac Social Tailored Deposit Framework dated February 2025 (the “Framework”) under which it intends to issue social tailored deposits² and use the proceeds to finance or refinance, in whole or in part, existing or future assets that deliver positive social impact and advance Westpac’s sustainability strategy. The Framework defines eligibility criteria in three areas:

1. Access to Essential Services
2. Affordable Housing
3. Socio-economic Advancement and Empowerment

Westpac engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2023 (SBP).³ The Framework has been published in a separate document.⁴

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Social Bond Principles 2023, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.18 which is informed by market practice and Sustainalytics expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Westpac’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Westpac representatives have confirmed (1) they understand it is the sole responsibility of Westpac to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Westpac.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed by the social tailored deposit proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

¹ Westpac, “Annual Review 2024”, at: <https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/ic/wbc-annual-report-2024.pdf>

² Westpac has confirmed to Sustainalytics that the replenishment of eligible assets will be ensured to match the deposit amount and maintain an asset pool surplus, ensuring the pool is always larger than the deposit.

³ The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

⁴ The Westpac Social Tailored Deposit Framework is available on Westpac Banking Corporation’s website at: <https://www.westpac.com.au/>

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the social tailored deposit proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Westpac has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Westpac Social Tailored Deposit Framework

Sustainalytics is of the opinion that the Westpac Social Tailored Deposit Framework is credible and impactful, and aligns with the four core components of the SBP. Sustainalytics highlights the following elements of Westpac's Social Tailored Deposit Framework:

- Use of Proceeds:
 - The eligible categories – Access to Essential Services, Affordable Housing and Socio-economic Advancement and Empowerment – are aligned with those recognized by the SBP.
 - Westpac has confirmed to Sustainalytics that activities to be financed under the Framework are aimed at benefiting vulnerable or at-risk groups, including: i) Indigenous people, such as Aboriginal or Torres Strait Islander communities; ii) people belonging to ethnic or other minority groups;⁶ iii) people with disabilities; and iv) children, young people and women belonging to the aforementioned groups. Additionally, the expenditures are expected to be financed at various locations, including: i) disadvantaged local government areas;⁷ ii) outer-regional, remote and very remote communities; and iii) low- and middle-income countries. Sustainalytics considers the targeting of expenditures under the Framework to be socially impactful.
 - Under the Access to Essential Services category, Westpac may finance or refinance expenditures related to healthcare and education aimed at improving living standards and well-being. The Bank may consider a pro-rata approach when financing eligible healthcare and educational activities under the Framework, with a minimum threshold of 40%. These include the following:
 - Healthcare infrastructure and services, which the Bank has confirmed to Sustainalytics will be accessible to all individuals regardless of the ability to pay. Expenditures may include the following:
 - Provision of public or free hospitals, aged care, medical centres, biotechnology facilities and financing insurance services under the National Disability Insurance Scheme.⁸ Westpac has communicated to Sustainalytics that financing may include public, free or private aged care facilities, where the private facilities will be made accessible through government concessions under the Concessional Resident Supplement for Aged Care.⁹
 - Construction and upgrades to facilities or infrastructure that enable the provision of public or free healthcare services mentioned above.

⁶ Westpac has communicated to Sustainalytics that it may include people living below the poverty line; migrants or displaced persons; undereducated, underserved, unemployed and workers affected by climate transition; sexual and gender minorities; and aging populations and vulnerable groups, including as a result of natural disasters, climate change or climate transition projects that cause or exacerbate socio-economic inequity.

⁷ For disadvantaged local government areas, outer-regional, remote and very remote communities, and low- and middle-income countries, Westpac uses definitions aligned with the Australian government and the World Bank.

⁸ The National Disability Insurance Scheme by the Australian government provides funding to people with disabilities via support packages tailored to individual needs to access required services and support. NDIS, "What is the NDIS?", at: <https://www.ndis.gov.au/understanding/what-ndis>

⁹ The Australian government's Concessional Resident Supplement for Aged Care helps cover accommodation costs for eligible aged concessional residents. The eligibility is based on the time the individual entered permanent aged care and were concessional residents based on an assessment of their financial circumstances at the time they entered care. Department of Health and Age Care, "Concessional resident supplement for aged care", at <https://www.health.gov.au/topics/aged-care/providing-aged-care-services/funding-for-aged-care-service-providers/concessional-resident-supplement-for-aged-care>

- Research and development activities that improve access to medicine, treatments and equipment. Westpac has confirmed that: i) expenditures for medicine are intended to address a discernible need;¹⁰ ii) expenditures for treatments and equipment are intended to address healthcare needs that currently lack treatment or support or where treatment or support are inadequate due to prohibitive costs or storage limitations; and iii) where applicable, it may refer to credible external public sources, such as WHO, UN or the Australian Government, as part of its assessment process for this expenditure. Sustainalytics encourages Westpac to report on medicines or vaccines that are financed under this expenditure and the impact achieved.
 - Public and private financed retirement villages (which include services such as residential aged care),¹¹ where the private facility will be made accessible for aged residents through Commonwealth Rent Assistance.¹²
 - Sustainalytics considers the above expenditures to be socially impactful in improving access to healthcare services.
 - Pharmaceutical wholesalers and manufacturers covering medicine and drugs under the Pharmaceutical Benefits Scheme (PBS).^{13,14}
 - Sustainalytics notes that the Framework limits financing to the manufacturing and distributing of medicine and drugs covered under the PBS.
 - The PBS supports medicine accessibility for a broad range of treatments and diseases, including rare diseases,¹⁵ enforces minimum stock requirements to mitigate supply shortages¹⁶ and guarantees timely deliveries across Australia within 24 hours, including for remote areas.¹⁷
 - Sustainalytics acknowledges the social benefits of financing under the PBS and considers such financing to be socially impactful when such medicines and drugs are specifically aimed at treating rare diseases or those with supply shortages. Hence, Sustainalytics encourages Westpac, where feasible, to provide further disclosures on the specific medicines financed by drug, program or condition and report on the social impacts achieved.
- Public or free educational services, where the Bank has confirmed to Sustainalytics that: i) all educational services will be accessible to all regardless of the ability to pay; and ii) financing will exclude educational programmes in private schools where there is no robust targeting or subsidization for low-income students. Expenditures may include the following:
 - Provision of public education services, which may include the construction of new primary, secondary and special needs public schools, to improve access to and quality of basic and specialized education services for children.

¹⁰ This includes: i) addressing undertreated diseases, such as neglected tropical diseases or rare diseases; ii) reducing the gap in the availability of essential medicines where access is lacking; iii) addressing the treatment gap for major diseases; and iv) there is reasonable assurance that such medicines will be made affordable, such as: a) an assurance that they are destined for public health systems or access will be available to all regardless of the ability to pay or that they are destined for public health systems with subsidies; or b) access will be available to all regardless of the ability to pay.

¹¹ Retirement villages are communities where aged residents live in independent living units and share common facilities and amenities. Queensland Government, "What are retirement villages?", at: <https://www.qld.gov.au/housing/buying-owning-home/housing-options-in-retirement/retirement-villages/retirement-village-options-and-contacts/what-are-retirement-villages>

¹² The Commonwealth Rent Assistance is a non-taxable housing assistance payment offered by the Australian government for eligible recipients with lower incomes to afford rental housing.

Australian Institute of Health and Welfare, "Housing assistance in Australia 2024", at: <https://www.aihw.gov.au/reports/housing-assistance/housing-assistance-in-australia/contents/financial-assistance>

¹³ The PBS Scheme is part of the Australian government's broader National Medicines Policy and provides affordable access to essential medicines for Australians. Department of Health and Aged Care, Pharmaceutical Benefits Scheme, "About the PBS", at: https://www.pbs.gov.au/info/about-the-pbs#What_medicines_does_the_government_subsidise.

¹⁴ Services Australia, "Find PBS medicines by drug, program or condition", at: <https://www.servicesaustralia.gov.au/drug-program-or-condition-for-pbs-medicines?context=20>

¹⁵ Ibid.

¹⁶ Australian Government, Department of Health and Aged Care, Pharmaceutical Benefits Scheme, "Medicines Supply Security Guarantee", at: <https://www.pbs.gov.au/info/industry/pricing/medicines-supply-security-guarantee>

¹⁷ Australian Government, Department of Health and Aged Care, "New agreement to ensure medicines stay cheaper and on pharmacy shelves", (2024), at: <https://www.health.gov.au/ministers/the-hon-mark-butler-mp/media/new-agreement-to-ensure-medicines-stay-cheaper-and-on-pharmacy-shelves?language=en>

- Resiliency plans for learning continuity between school and home environments, which may include financing the provision of laptops for public school students.
- Sustainalytics notes that the expenditures for educational services in this category is expected to generate positive social impacts.
- Under the Affordable Housing category, Westpac may finance or refinance expenditures related to commercial real estate developments, construction of educational facilities, transportation infrastructure, affordable or social housing and healthcare facilities. Westpac has confirmed to Sustainalytics that there will be no double counting of impact under the Framework. Expenditures may include the following:
 - Financing the construction of or investment in affordable housing for vulnerable or at-risk groups offered at a significantly lower cost compared to the market average. This includes assets and projects that meet the requirements of the following national or state Government housing programs:
 - First Home Guarantee program (FHBG)¹⁸ or First Home Owner Grant (FHOG) scheme.¹⁹ Sustainalytics acknowledges the expected benefits of the FHBG and FHOG programmes for first-time home buyers, but notes that FHBG's eligibility income thresholds are above Australia's current median income i.e. AUD 55,062 (USD 35,660),²⁰ while FHOG does not specify an income threshold and does not have a strong mortgage payment control mechanism. Sustainalytics considers it a good practice to finance public affordable and social housing projects: i) with affordability measures in place for clearly defined low-income beneficiaries to ensure increased access to affordable and social housing; and ii) where the minimum required payments are reasonably capped (preferably at less than 30% of the monthly household income). Therefore, Sustainalytics encourages Westpac, where feasible, to provide further disclosures on the affordable housing programmes financed, including relevant beneficiaries as defined by regional authorities and to report on the social impacts achieved.
 - Registered social or affordable housing providers, accredited as such in the jurisdiction in which they operate. In Sustainalytics' opinion, in order to ensure a contribution to increasing access to affordable housing, it is best practice to: i) define a target population with an upper threshold at or below the annual median income at the municipal or regional level; and ii) ensure that a strong rent control or mortgage payment mechanism is in place in which the rents or payments are reasonably capped (preferably at less than 30% of the monthly household income) for the target populations. However, Sustainalytics notes that the role of Westpac is limited to financing housing through registered social or affordable housing providers and that the Bank does not have control over the detailed criteria for determining the low-income income groups deemed eligible for public housing schemes and the corresponding affordability or rent control mechanisms. Sustainalytics encourages Westpac, where feasible, to provide further disclosures on the positive social impact of its financing allocated to below-median income populations.
 - Financing the construction and development of public educational facilities.
 - Public transportation infrastructure, such as roads, bridges and pedestrian infrastructure intended to increase the connectivity of socio-economically disadvantaged or remote areas.

¹⁸ Under the FHBG, eligible home buyers are supported with a guarantee to the eligible lender against the home loan, where the guaranteed amount will be the difference between the borrower's deposit and 15% of the value of the eligible residential property. The eligible home buyers are subject to eligibility criteria based on various factors including the type of loan applicants (individual or joint applicants), income thresholds, and Australian citizenship among others.

Housing Australia, "First Home Guarantee", at: <https://www.housingaustralia.gov.au/support-buy-home/first-home-guarantee>

¹⁹ The FHOG scheme was introduced on July 1, 2000, to offset the impact of the GST on home ownership. It is a nationwide initiative funded by the states and territories, each administering the scheme under their respective legislation. The scheme provides a one-off grant to first home buyers who meet all the eligibility requirements.

FHOG, at: <https://www.firsthome.gov.au/>

²⁰ Australian Bureau of Statistics, "Earning and working conditions", (2024), <https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions>

- Financing may include expenditures related to roads or extension of rail and bus networks to connect disadvantaged local government areas, and outer-regional, remote and very remote communities listed above to urban areas.
- Pedestrian infrastructure will be limited to: i) the development or upgrade of sidewalks for public use (including accessibility improvements for people with disabilities); and ii) bridges and tunnels to increase pedestrians' access to community facilities or connect communities separated by existing infrastructure where at-grade crossings are not permitted to promote walkability.
- Financing will exclude: i) construction of major roads or highways where road connectivity is adequate; and ii) upkeep or upgrade of existing major roads or highways.
- Medical assistance, which may include financing expenditures related to residential villages and rescue helicopters that are solely dedicated to healthcare.²¹
 - Retirement villages include both public and private facilities (which include services such as residential aged care),²² where the private facility will be made accessible for aged residents through Commonwealth Rent Assistance.²³
 - Westpac has confirmed that there will be no double counting of allocation and impact among these categories that follow the same eligibility criteria under the Access to Essential Services category, and assets will be judged on an individual basis for which criteria they best meet under both categories.
 - Westpac has confirmed to Sustainalytics that such rescue helicopters will not be directly connected to the exercise of retributive justice systems, such as policing, incarceration and surveillance.
- Sustainalytics considers the benefits of increasing access to education, transport and medical infrastructure or facilities to be socially impactful.
- Under the Socio-economic Advancement and Empowerment category, Westpac may finance or refinance educational expenditures meeting the criteria in the Access to Essential Services category. Westpac has confirmed that there will be no double counting of impact among these categories that follow the same eligibility criteria, and assets will be judged on an individual basis to determine which criteria they best meet under both categories. Sustainalytics considers these expenditures to be socially impactful.
- In accordance with the excluded assets criteria, the proceeds will exclude financing activities related to fossil fuels, mining, tobacco, gambling and defence, including controversial and nuclear weapons. Sustainalytics positively views the inclusion of such criteria under the Framework.
- Project Evaluation and Selection:
 - Westpac has established a cross-functional sustainable governance process. The Westpac Institutional Bank – Corporate and Institutional Banking (“WIB CIB”), Sustainable Finance Framework Working Group (“SFFWG”) and the Financial Markets Balance Sheet and Product (“FM BSP”) teams oversee the evaluation and selection of assets, ensuring alignment with the Framework’s eligibility criteria.
 - The Bank has communicated to Sustainalytics that the SFFWG, composed of representatives from the WIB CIB, Group Treasury and FM BSP teams, will be responsible for the identification of eligible projects and assets and management of the asset pool. Furthermore, the FM BSP team will evaluate project and asset eligibility in accordance with the Framework and the SBP, providing annual updates and seeking annual independent

²¹ Westpac Rescue Helicopter Services, “What we do”, at: <https://rescuehelicopter.com.au/what-we-do/>

²² Retirement villages are communities where aged residents live in independent living units and share common facilities and amenities. Queensland Government, “What are retirement villages?”, at: <https://www.qld.gov.au/housing/buying-owning-home/housing-options-in-retirement/retirement-villages/retirement-village-options-and-contacts/what-are-retirement-villages>

²³ The Commonwealth Rent Assistance is a non-taxable housing assistance payment offered by the Australian government for eligible recipients with lower incomes to afford rental housing.

Australian Institute of Health and Welfare, “Housing assistance in Australia 2024”, at: <https://www.aihw.gov.au/reports/housing-assistance/housing-assistance-in-australia/contents/financial-assistance>

reviews. Additionally, the WIB CIB team will identify and review the alignment of completed and in-progress deals with Westpac's broader Sustainable Finance Framework.

- Westpac has confirmed to Sustainalytics that it has an ESG risk assessment process in place to identify environmental and social risks associated with eligible assets under the Framework. The process involves an assessment against Westpac's position statements on environmental and social issues to ensure that the company and/or transaction financed does not result in any negative ESG risks or impacts.²⁴ Sustainalytics considers these environmental and social risk management systems to be adequate. For additional details, please refer to Section 2.
- Based on the cross-functional oversight of project selection and the presence of an ESG risk management process, Sustainalytics considers the project evaluation and selection process to be in line with market practice.
- Management of Proceeds:
 - The SFFWG and FM BSP teams will be responsible for the management of proceeds using a portfolio approach and will track allocation using an internal booking system and dashboard.
 - The Bank has communicated to Sustainalytics that it intends to fully allocate proceeds on a notional basis within a month of social tailored deposits raised. Pending allocation, unallocated proceeds will be temporarily held in cash, cash equivalents or other liquid marketable instruments.
 - Based on the presence of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Westpac intends to publish an annual report on its website while the social tailored deposits remain outstanding. The report will provide portfolio-level details, including: i) allocation reporting on the allocation of proceeds to eligible assets; and ii) eligibility reporting to confirm that the assets meet the eligibility criteria in the Framework.
 - Allocation reporting will cover the allocation of social tailored deposits to eligible social assets by category, including information on the financed assets and geographic locations.
 - The Bank will also obtain an annual review report from an external reviewer.
 - Westpac has communicated to Sustainalytics that the social tailored deposits form part of Westpac's overall sustainability goals and objectives. As such, assessment of the social impact of the social tailored deposits will be considered in the context of Westpac's wider sustainability objectives at the group level. Westpac will therefore not produce specific impact reporting relating to the individual assets. Sustainalytics considers impact reporting to be an essential element that ensures transparency in the sustainable finance market and encourages Westpac to publicly report on the impact of its financing under the social tailored deposits, at least on a category level.

Alignment with Social Bond Principles 2023

Sustainalytics has determined that the Westpac Social Tailored Deposit Framework aligns with the four core components of the SBP.

Section 2: Sustainability Strategy of Westpac

Contribution to Westpac's sustainability strategy

Westpac has established its 2030 sustainability strategy, which focuses on the following key social objectives: i) enhance financial inclusion and equality; ii) respect and advance human rights; and iii) enable diversity and inclusion.²⁵ To guide its sustainability strategy, Westpac has identified material social topics, including human rights, a sustainable and diverse supply chain, and support of local communities, including Indigenous peoples, in line with the Global Reporting Initiative Standards.²⁶

Westpac has set targets to provide AUD 55 billion (USD 35.4 billion) of lending and AUD 40 billion (USD 25.7 billion) of bond facilitation activities aligned with its Sustainable Finance Framework by 2030.²⁷ To

²⁴ Westpac, "Our positions, perspectives and material topics", at: <https://www.westpac.com.au/about-westpac/sustainability/our-positions-and-perspectives/>

²⁵ Westpac, "Our Strategy", (2024), at: <https://www.westpac.com.au/about-westpac/sustainability/our-strategy/>

²⁶ Westpac, "2024 Annual Report", (2024), at: <https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/ic/wbc-annual-report-2024.pdf>

²⁷ Westpac, "Sustainable Finance Framework", (2024), at: <https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/wbc-sustainable-finance-framework.pdf>

promote financial inclusion, Westpac has ring-fenced AUD 500 million (USD 321.7 million) to support female entrepreneurs, having provided AUD 274 million (USD 176.3 million) in loans to 726 women between June 2023 and September 2024.²⁸ The Bank has also partnered with the University of New South Wales Founders' 10x Accelerator programme²⁹ to provide funding for three scholarships, each amounting to AUD 20,000 (USD 12,866), to support women in balancing their professional and personal commitments.³⁰ Additionally, Westpac has developed community partnerships with foundations to support educational development, employment generation and social enterprises through scholarships and grants.³¹

Regarding its objective of inclusion and a diverse supply chain, Westpac has established its Supplier Inclusion and Diversity Principles in 2021 and developed a responsible sourcing programme to: i) seek opportunities for procurement from diverse suppliers; ii) promote supplier diversity and inclusion by supporting businesses owned by Indigenous peoples in Australia, businesses owned by women, social enterprises, Australian disability enterprises³² and B Corporations;^{33,34} and iii) collaborate with suppliers through capacity and capability building. Westpac increased its spending on diverse suppliers from AUD 10 million (USD 6.4 million) in 2022 to AUD 37.9 million (USD 24.4 million) in 2023, of which AUD 21.1 million (USD 13.6 million) was directed to Indigenous-owned businesses.³⁵ Between 2018 and 2020, Westpac supported more than 329 Indigenous business owners through lending to help establish or expand their businesses.³⁶ Furthermore, the Bank has allocated more than AUD 1.7 million (USD 1.1 million) between 2017 and 2021 to increase its supplier spending with Australian disability enterprises.³⁷

Sustainalytics is of the opinion that the Westpac Social Tailored Deposit Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's action on its key social priorities.

Approach to managing social and environmental risks associated with the projects

Sustainalytics recognizes that the proceeds from the social tailored deposits issued under the Framework will be directed towards eligible projects and assets that are expected to generate positive social impacts. However, Sustainalytics notes that such eligible projects and assets could also lead to negative environmental and social outcomes. Sustainalytics acknowledges that Westpac plays a limited role in the development of the specific assets that it finances, but by offering lending and financial services, it is exposed to environmental and social risks associated with the projects and assets that it may finance or refinance. Some key environmental and social risks possibly associated with the eligible assets may include issues involving land use, biodiversity loss and emissions, predatory lending, community engagement, business ethics and human rights. Projects and assets that aim to achieve social impact in particular may increase inequality if not targeted well at relevant populations.

Sustainalytics is of the opinion that Westpac is able to manage or mitigate potential risks through implementation of the following:

- Westpac's Sustainability Risk Management Framework outlines the Bank's approach to managing sustainability risks as part of its broader Risk Management Strategy.³⁸ The Bank has developed an internal ESG risk assessment tool for non-retail lending to evaluate the ESG risks associated with borrowers, transactions and supported activities, including how clients manage or mitigate these risks. Upon identifying significant ESG risks, transactions may be subject to

²⁸ Ibid.

²⁹ The 10x Accelerator programme provides investments to founders of research ventures and technology startups.

UNSW Founders, "10x Accelerator", at: <https://unswfounders.com/10x-accelerator>

³⁰ Westpac, "2024 Annual Report", (2024), at: <https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/ic/wbc-annual-report-2024.pdf>

³¹ Ibid.

³² Australian disability enterprises are non-profit organizations that employ people with disabilities.

NSW Government, "Australian disability enterprises", at: <https://www.info.buy.nsw.gov.au/buyer-guidance/source/select-suppliers/australian-disability-enterprises>

³³ B Corporations are businesses certified by B Lab Global with a strong environmental and social performance and an accountable governance structure with transparency in their performance. B Corporation, "About B Corporation Certification", at: <https://www.bcorporation.net/en-us/certification/>

³⁴ Westpac, "Supplier Inclusion & Diversity Principles", (2021), at:

https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/WBG_Supplier_Inclusion_Diversity_Policy.pdf

³⁵ Westpac, "2024 Annual Report", (2024), at: <https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/ic/wbc-annual-report-2024.pdf>

³⁶ Westpac, "Westpac Group Reconciliation Action Plan", at:

<https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/ReconciliationActionPlan.pdf>

³⁷ Westpac, "Access and Inclusion Plan", at: https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/WBC-access_and_inclusion_plan_2021-2024.pdf

³⁸ Westpac, "Annual Report", (2024), at: <https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/ic/wbc-annual-report-2024.pdf>

further review and due diligence, with additional reviews potentially leading to escalation for further action.³⁹

- To manage risks related to predatory lending, Westpac has developed its Principles for Responsible Lending. The principles emphasize a thorough investigation into the customers' financial situations and the verification of their information to ensure that borrowing is suitable for their needs and capacity.⁴⁰
- To manage risks related to land use, biodiversity loss and emissions, Westpac has developed a Climate Change Position Statement and Action Plan⁴¹ and Natural Capital Position Statement.⁴² These include commitments to avoid funding in-scope customers activities that result in deforestation of natural forests after 31 December 2025. Westpac is also exploring potential restoration and regeneration opportunities available for its customers. Additionally, the Bank integrates environmental considerations into its decision-making by assessing the environmental risks associated with non-retail lending, with a focus on areas such as sustainable land use, ecological impact reduction and adherence to global sustainability frameworks.⁴³
- Regarding community relations risks, Westpac conducts consultations and has feedback mechanisms and partnerships with community organizations.⁴⁴ Westpac engages its stakeholders through a range of channels, such as stakeholder feedback and grievance mechanisms, dialogue with community partners, local branch engagement, skill-based volunteering, partnerships with community organizations, mentoring, secondments, strategic workshops and working groups.^{45,46} Westpac also uses the insights obtained through stakeholder engagement to inform its approach to ESG risk management.⁴⁷
- Regarding risks related to business ethics, Westpac has implemented a Customer Outcomes and Risk Excellence Program to improve its risk management and ethical culture across the organization.⁴⁸ The Bank's Code of Conduct establishes ethical principles and sets expectations for its employees, contractors and partners to ensure fair outcomes for its borrowers and stakeholders.⁴⁹ Its Conflicts of Interest policy defines measures to identify, manage and document conflicts, ensuring integrity and compliance.⁵⁰ The Bank's Speaking Up policy protects whistleblowers through measures such as anonymity and legal safeguards. Additionally, the Bank's Anti-Money Laundering and Counter-Terrorism Financing ("AML/CTF") policy outlines its commitment to preventing money laundering and terrorism financing by ensuring compliance with legislation, implementing customer identification processes, conducting employee training and mandating reporting obligations to the market regulator.⁵¹
- Sustainalytics notes that financing of eligible assets under the Framework may take place in low- and middle-income countries identified as high and severe risk.⁵² However, Sustainalytics notes that Westpac has committed to conduct ongoing human rights due diligence to identify, prevent, mitigate and account for human rights risks and impacts, especially for vulnerable or at-risk groups, as outlined in its Human Rights Position Statement and Action Plan.⁵³ Westpac's key

³⁹ Ibid.

⁴⁰ Westpac, "Principles for Responsible Lending", at: https://www.westpac.com.au/docs/pdf/pb/Westpac_Principles_for_Resp1.pdf

⁴¹ Westpac, "Climate Change Position Statement and Action Plan", at:

https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/Climate_Change_Position_Statement_and_Action_Plan.pdf

⁴² Westpac, "Natural Capital Position Statement", at:

<https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/wbc-natural-capital-position-statement.pdf>

⁴³ Ibid

⁴⁴ Westpac, "2024 Annual Report", (2024), at: <https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/ic/wbc-annual-report-2024.pdf>

⁴⁵ Westpac, "Listening to our stakeholders", at: <https://www.westpac.com.au/about-westpac/sustainability/governance-and-accountability/listening-to-stakeholders/>

⁴⁶ Westpac, "2024 Annual Report", (2024), at: <https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/ic/wbc-annual-report-2024.pdf>

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Westpac, "Code of Conduct", at: <https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/code-of-conduct1.pdf>

⁵⁰ Westpac, "Conflicts of Interest Policy", at: <https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/global-locations/Westpac-Group-Conflicts-of-Interest-Policy-Summary.pdf?searchsource=search-results&kw=conflict%20of%20interest%20policy&cat=documents-%26-forms&rank=2&result-type=natural>

⁵¹ Westpac, "AML/CTF policy", at: <https://www.westpac.com.au/about-westpac/westpac-group/corporate-governance/aml-counter-terrorism/aml-group-policy/>

⁵² Including Burundi, Central African Republic, Somalia, China, Sudan, Democratic Republic of Congo, South Sudan, Equatorial Guinea, Syria, Eritrea, Turkmenistan, Libya, West Bank and Gaza, Ukraine, Myanmar, Uzbekistan, Yemen, Afghanistan, Gabon, Rwanda, Algeria, Georgia, Tajikistan, Angola, Azerbaijan, India, Turkey, Iran, Uganda, Belarus, Iraq, Vietnam, Jordan, Zimbabwe, Cambodia, Kazakhstan, Cameroon and Kyrgyzstan

⁵³ Westpac, "Human Rights Position Statement and Action Plan", (2024), at:

<https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/WBC-human-rights-position-statement.pdf>

human rights due diligence processes for lending activities include its ESG risk assessments, financial crime risk assessments (including jurisdiction risk assessments, know-your-customer checks, payment screening and transaction monitoring) and third-party due diligence processes.⁵⁴ The Bank also works with external investment managers to monitor exposure to modern slavery risks, particularly in industries and locations exposed to such practices.⁵⁵ The Bank has also committed to providing or participating in grievance mechanisms through which stakeholders can raise human-rights-related concerns and access remediation for adverse human rights impacts.⁵⁶

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Westpac has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All three use of proceeds categories are aligned with those recognized by the SBP. Sustainalytics has focused on where the impact is specifically relevant in the local context.

Importance of access to healthcare in Australia

Australians face significant challenges in accessing healthcare, particularly in affordability and timeliness, despite the country's relatively high health status.⁵⁷ In 2020, individuals covered 20% of their annual health expenses out of pocket; these costs rose by 2.8% per year above inflation before the Covid-19 pandemic.⁵⁸ The urban areas benefit from extensive healthcare coverage, but rural and remote regions face barriers, including limited infrastructure, higher service costs and longer wait times.⁵⁹ Although 73% of the public hospitals are in inner, outer regions and remote areas of Australia, these facilities are smaller and offer limited services, affecting timeliness and availability relative to major cities, where the hospitals are larger and have broader services.⁶⁰ This disparity extends to the healthcare workforce, which, despite growing by 37% between 2013 and 2022, still faces significant shortages, with more than 80% of health professional occupations facing shortages.⁶¹ In 2022, very remote areas had only 205 clinical full-time equivalent (FTE) employees per 100,000 people compared to 427 FTE in major cities in Australia,⁶² and in same year avoidable death rates in rural and remote areas were up to three times higher than in major cities.⁶³ These gaps were even more pronounced for Aboriginal and Torres Strait Islander populations, who, despite making up 3.8% of the total population, face additional barriers, such as geographic isolation and financial constraints, resulting in poorer health outcomes than their non-Indigenous counterparts.^{64,65}

Major cities in Australia remain relatively younger, as they attract migrants and job seekers, while rural areas face an increasing influx of retirees.⁶⁶ In 2022, 22.1% of Australians in rural areas were aged 65 and older compared to 15.5% in major cities.⁶⁷ According to a survey conducted on disability, aging and care by Australia's Bureau of Statistics, half of the Australians aged 65 and above and residing in rural areas are disabled, further straining healthcare systems in rural areas with limited healthcare offerings.^{68,69}

⁵⁴ Ibid.

⁵⁵ Westpac, "Modern Slavery Statement", (2023), at:

<https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/wbc-2023-modern-slavery-statement.pdf>

⁵⁶ Westpac, "Human Rights Position Statement and Action Plan", (2024), at:

<https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/WBC-human-rights-position-statement.pdf>

⁵⁷ Melbourne Institute, "Improving Access to healthcare in Australia", (2022), at:

https://melbourneinstitute.unimelb.edu.au/_data/assets/pdf_file/0005/4367732/Melbourne-Institute-Compendium-2022-Chapter-6.pdf

⁵⁸ Ibid.

⁵⁹ Australian Institute of Health and Welfare, "Rural and Remote Health", at: <https://www.aihw.gov.au/reports/rural-remote-australians/rural-and-remote-health>

⁶⁰ Australian Institute of Health and Welfare, "Australia's hospitals at a glance", at: <https://www.aihw.gov.au/reports/hospitals/australias-hospitals-at-a-glance>

⁶¹ Australian Institute of Health and Welfare, "Health Workforce", at: <https://www.aihw.gov.au/reports/workforce/health-workforce>

⁶² Ibid

⁶³ Australian Institute of Health and Welfare, "Australia's health", (2024), at: <https://www.aihw.gov.au/getmedia/6b19e493-0e4e-420f-a9a3-e48b26aace9f/aihw-aus-249-ib.pdf?v=20240715154739&inline=true>

⁶⁴ Australian Institute of Health and Welfare, "Profile of Australia's population", at: <https://www.aihw.gov.au/reports/australias-health/profile-of-australias-population>

⁶⁵ Australian Institute of Health and Welfare, "Determinants of health for First Nations people", at: <https://www.aihw.gov.au/reports/australias-health/social-determinants-and-indigenous-health>

⁶⁶ Australian Institute of Health and Welfare, "Rural and Remote Health", at: <https://www.aihw.gov.au/reports/rural-remote-australians/rural-and-remote-health>

⁶⁷ Ibid

⁶⁸ Australia's Bureau of Statistics, "Welcome to the Australian Bureau of Statistics", at: <https://www.abs.gov.au/>

⁶⁹ Australian Institute of Health and Welfare, "Older Australians", at: <https://www.aihw.gov.au/reports/older-people/older-australians/contents/health/health-status-and-functioning#intro>

Based on the above, Sustainalytics considers that Westpac's financing under the Framework is expected to improve access to affordable healthcare services and create positive social impacts in Australia.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Westpac Social Tailored Deposit Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Access to Essential Services	3. Good Health and Well-Health	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	4. Quality Education	4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
Affordable Housing	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Socio-economic Advancement and Empowerment	4. Quality Education	4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations
	8. Decent Work and Economic Growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

Conclusion

Westpac has developed the Westpac Social Tailored Deposit Framework under which it may issue social tailored deposits and use the proceeds to finance activities related to Access to Essential Services, Affordable Housing and Socio-economic Advancement and Empowerment. Sustainalytics considers that the projects and assets funded by the social tailored deposit proceeds are expected to provide positive social impacts.

The Westpac Social Tailored Deposit Framework outlines a process by which proceeds will be tracked, allocated and managed, and commitments have been made for reporting on the allocation of the use of proceeds. Sustainalytics considers the Framework to be aligned with the overall sustainability strategy of the Bank and that the social use of proceeds categories will contribute to the advancement of UN Sustainable Development Goals 3, 4, 8, 9 and 11. Additionally, Sustainalytics is of the opinion that Westpac

has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects and assets funded by the proceeds.

Based on the above, Sustainalytics is confident that Westpac Banking Corporation is well positioned to issue social tailored deposits and that the Westpac Social Tailored Deposit Framework is robust, transparent and in alignment with the core components of the Social Bond Principles 2023.

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