

Financing Sustainable Energy

September 2013

Purpose

Westpac supports the development of an efficient, affordable, safe and secure energy system that recognises and addresses the need to reduce carbon emissions.

This position statement outlines our approach to financing the development of a sustainable energy framework.

Our position

The transformation of the energy sector over the coming decades will present a range of risks and opportunities. Westpac supports practical solutions which deliver carbon reductions without dislocation across the energy system.

We seek to facilitate the transition of business to a low emission economy via a strategy of proactive customer engagement to promote outcomes which are financially and environmentally sustainable. In addition we factor carbon risk into our decision making processes and in consultation with impacted customers may require them to demonstrate risk reduction programs.

Westpac's position has been to support flexible market-based mechanisms as part of a wider policy response to climate change. We acknowledge that the transition into a carbon constrained operating environment may be challenging for some of our customers. We are actively working with those customers as we would during any other period of regulatory uncertainty and change.

Westpac will continue to work with Government and with our customers as legislated carbon constraints are implemented in the jurisdictions where we operate.

Our Principles

We seek to:

- Support a market-based policy response to climate change;
- Work with our customers to develop practical responses which are able to realistically support change;
- Responsibly manage carbon risk and the environmental, social and governance (ESG) implications of our lending activities;
- Avoid involvement in transactions which support the establishment or long term continuation of inefficient and high carbon emitting assets into the future; and
- Finance the development of clean energy solutions and best practice pollution controls.

Scope

This framework applies in all jurisdictions where Westpac operates and to all finance activities, including debt, financial markets, project finance and other related financial services that the

bank provides to the energy sector. The energy sector includes infrastructure and utilities associated with oil and gas production, all forms of power generation, electricity transmission and distribution.

What we are doing

Westpac has a comprehensive response in place which seeks to support the development of new areas of opportunity while also managing the practical realities and risks inherent in transitioning into a more sustainable clean energy future.

As an example, Westpac is one of the ten founding Equator Principles Financial Institutions. The Equator Principles are a set of voluntary protocols entered into by a number of financial institutions worldwide to ensure that projects are developed in a socially responsible manner and reflect sound environmental management practices. The financing of all new projects are considered on the basis of the Equator Principles.

Our framework for financing sustainable energy has five key components:

1. Financing cleaner and less emission intensive fossil fuel based energy generation
2. Financing renewable energy
3. Financing energy efficiency and clean technology
4. Managing carbon risk
5. Supporting research and policy development

Our aim is to adopt a practical approach focused on developing and delivering customer financing solutions which will promote and support emissions reductions across the energy economy.

Supporting policies and standards

Westpac expects that its customers will operate in accordance with relevant global, regional and national laws and regulations governing ESG performance dimensions.

This position statement is designed to work in conjunction with Westpac's existing risk policies, processes and procedures and the ESG risk management framework.