

An aerial photograph of a city skyline, likely Auckland, New Zealand, taken from a high vantage point. The city is densely packed with buildings, and a river or harbor is visible in the foreground. The sky is filled with soft, golden clouds, suggesting a sunset or sunrise. The word "action" is written in a large, white, serif font across the center of the image.

# action

Climate Change and  
Environment Position  
Statement  
*and* 2017 Action Plan

September 2014

# Westpac Group has a long-standing commitment to operating sustainably.

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## Helping future generations

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For us, this is about helping future generations live better lives in a healthy environment.

Over time we have built a strong track record of environmental firsts and sector leading initiatives.

Westpac has been measuring and reporting on our environmental impacts since 1996. We first published a Climate Change Position Statement in 2008, including our 2009-2013 Action Plan. Since then we have implemented a substantive program of work, as summarised in our Progress Report<sup>1</sup>.

In 2013, we launched our five-year Sustainability Strategy, with a commitment to develop economic solutions to environmental challenges.

To inform our approach to climate change and the environment we continue to engage widely with stakeholders including industry groups and environmental non-government organisations.

This public Climate Change and Environment Position Statement builds on our long-term commitments, and sets out our approach to managing environmental risk, community engagement and reporting on our sustainability performance and creating innovative customer solutions over the next three years. It includes:

### 1. Our Climate Change and Environment Position Statement:

Our thinking on the current and emerging global environmental challenges facing our business operations, customers and the markets and communities in which we operate. [Page 05](#)

### 2. Our 2017 Action Plan:

a) Our priority areas including managing carbon and environmental risk, addressing our own environmental footprint, as well as working with customers, employees and suppliers; [Page 09](#)

b) Themes for exploration and engagement such as resilience, the role of cities and investing and managing for a Two Degree Economy<sup>2</sup> to strengthen our understanding and create practical solutions in partnership. [Page 13](#)

#### Introduction

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1. [http://www.westpac.com.au/docs/pdf/aw/sustainability-community/Climate\\_Change\\_Progress\\_Report.pdf](http://www.westpac.com.au/docs/pdf/aw/sustainability-community/Climate_Change_Progress_Report.pdf)  
2. Two Degree Economy refers to limiting greenhouse gas emissions such that global warming does not increase by more than 20C. The 2009 Copenhagen Accord of the United Nations Framework Convention on Climate Change pledged governments globally to maintain temperatures below this threshold. A temperature increase beyond two degrees presents significant social and environmental risks.





responsive

These  
principles  
will guide our  
decisions and  
inform our  
response:

## Position Statement Principles

**1. Managing environmental risk is also about managing financial risk.**

Identifying, managing and mitigating climate and environmental risk has positive financial benefits. Environmental responsibility is a part of our everyday business.

**2. The climate is changing.**

We accept the scientific consensus that climate change is real and affecting the communities in which we operate, and that human influence is 'extremely likely'<sup>3</sup>. This will have significant physical implications for our customers and the community and we have a role to play in helping them understand, adapt and become resilient to the range of possible future climate outcomes.

**3. We're preparing for a Two Degree Economy.**

There are significant environmental, social and economic benefits to limiting global warming to two degrees Celsius above pre-industrial levels, while investing in greater resilience to the impacts of such a change. Market mechanisms and pricing solutions will help business play a role in delivering innovative technology. We can act as a market facilitator, bringing forward affordable, low carbon technologies while supporting energy security. This will support the transition to a more sustainable economic model.

**4. Economic growth and environmental protection are complimentary goals.**

We recognise that climate change is

interrelated with other environmental and social concerns such as freshwater availability, biodiversity and food security – set against the context of macro trends of demographic change, urbanisation and the rise of Asia. By working with employees, suppliers and the community, we can deliver practical solutions that create both economic and environmental benefits and help our customers respond to these dynamics.

**5. Resource efficiency creates value.**

Protecting global natural capital<sup>4</sup> through greater resource efficiency will be vital in delivering clear air, affordable food, clean water and economic opportunity globally. This includes actively managing our own environmental footprint by investing in resource efficiency, including reducing our emissions intensity and committing to carbon neutrality. By anticipating and responding to environmental challenges, we will be well placed to capitalise on these opportunities and help our customers and our business realise the value of natural capital.

**6. Transparency counts.**

There is vigorous public debate over global emissions trajectories, global and national policies, and economic forecasts. Business decisions need to be made in the context of this uncertainty, with full consideration of possible scenarios. We will continue to report on our environmental performance and disclose our response to climate change and environmental issues.

<sup>3</sup>. A key finding of the IPCC Working Group I, Assessment Report 5, [WGI AR5 SPM Section D.3, 2.2, 6.3, 10.3-6, 10.9].

<sup>4</sup>. Natural capital can be defined as the world's stocks of natural assets which include geology, soil, air, water and all living things. The term is used in reference to valuing elements and systems of the natural environment.

# Position Statement Context

Understanding global trends, emerging regulations, market risk and best practice innovation is what financial institutions do every day. Climate change and environmental challenges bring business risks.

Global, national and local regulatory frameworks will guide our response, as well as those of our customers and suppliers and the communities in which we operate. This includes the continuing need to reduce emissions, manage environmental impacts and promote technological innovation.

The commitment to holding global warming to two degrees above pre-industrial levels now forms the basis of international policy negotiations and supporting national regulatory frameworks. It was first formally referenced in the Copenhagen Accord<sup>5</sup> under the United Nations Framework Convention on Climate Change, which stated “...we shall, recognising the scientific view that the increase in global temperature should be below two degrees Celsius, on the basis of equity and in the context of sustainable development, enhance our long-term cooperative action to combat climate change. We recognize the critical impacts of climate change and the

potential impacts of response measures on countries particularly vulnerable to its adverse effects and stress the need to establish a comprehensive adaptation program including international support”. Commitment to this principle was strengthened in the Cancun Agreements<sup>6</sup> and forms part of ongoing negotiations leading into the finalisation of the Paris Accord<sup>7</sup> in 2015.

Nations, including geographies where we operate, are putting in place policy responses to meet this objective while also pursuing broader social and economic benefits. While regulatory frameworks may vary between jurisdictions, these measures will re-shape global industry and create new market dynamics.

### Tackling resource constraints while driving economic growth

Environmental impacts, increasing scarcity of natural resources such as water and arable land, feeding a growing global population, issues of energy sector transformation and the continuing response to climate change will create systemic changes in the way natural resources are accessed and valued. Our investment, lending and operational decisions must take these impacts into account and we expect to drive long-term shareholder value through our response.

Capital markets are also identifying climate change and resource efficiency

as an investment trend. This comes from both recognition of the need to manage exposure to changing industry dynamics, and the desire to capitalise on emerging opportunities in renewable energy, biodiversity services, CleanTech and other sectors.

A Two Degree Economy will mean a fundamental transformation in our energy infrastructure with significant investment implications. Over the medium term fossil fuel energy generation will continue to play a major role in the economies where we operate. But increasingly, so too will wind, solar, geothermal and other new sources of energy. We support the shift to a more sustainable economic model that is less dependent on fossil fuels while recognising the importance of responsibly managing the transition to support sustainable economic development.

### We accept the science and we are responding to the risks

We acknowledge the findings of the Intergovernmental Panel on Climate Change that global warming is unequivocal and the consequence of human actions.

A prudent response to climate change means preparing now and adapting over time to a warming world. Investment in resilient infrastructure and the built environment will be required to limit the economic impacts of climate change, and will also enable communities to adapt to the effects of greater weather intensity and variability and the need for greater resource efficiency.

### Innovative solutions to environmental challenges

We are committed to continuing to engage all our stakeholders – employees, customers, suppliers, governments and interest groups to inform our approach in helping to create a cleaner and more resilient economy. We recognise that we all have a role to play in enabling both economic growth and environmental protection.

While varying in design across different regions, carbon pricing and related market mechanisms continue to drive efficient greenhouse gas abatement across industry, while delivering the right business incentives to support transitional change.

We have expertise to support the transition to a cleaner, energy-efficient economy. In our role as a financial intermediary we actively seek to finance renewable and environmental projects, as well as applying sustainability criteria across our lending activities to realise greater value for our investors and our customers.

*“A Two Degree Economy will mean a fundamental transformation in our energy infrastructure with significant investment implications.”*

5. <http://unfccc.int/resource/docs/2009/cop15/eng/11a01.pdf> 6. [https://unfccc.int/meetings/cancun\\_nov\\_2010/items/6005.php](https://unfccc.int/meetings/cancun_nov_2010/items/6005.php)  
7. <http://unfccc.int/2860.php>





solutions

## 2017 Action Plan

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### Commitments:

Our Climate Change and Environment Action Plan sets out practical actions for the next three years, building on the commitments in our 2017 Sustainability Strategy.

These focus areas will direct our actions over the next three years.

# 1.

### Managing carbon and environmental risk

We remain committed to managing carbon risk and natural capital impacts across our business.

#### We will:

- Enhance our understanding and management of adaptation risks for our enterprise and credit risk policies and processes;
- Strengthen our understanding and management of natural capital risk and value;
- Extend the measurement of embedded emissions and natural capital risk associated with our lending and investment activities; and
- Continue to apply our Sustainability Risk Management policies, processes and practices across all aspects of our business.



# 2.

## Supporting customers

Our greatest opportunity to reduce climate and environmental impacts and be part of the transition to a clean economy is through partnering with our customers and supporting innovative solutions.

**We will:**

- Develop and evolve our products and services to help our customers adapt to environmental challenges;
- Make available up to A\$6 billion in lending and investment to CleanTech and environmental services;
- Partner with our customers to develop innovative solutions which address sustainability and environmental challenges for key industry sectors; and
- Work with our customers to better understand and manage their exposure to physical climate risks.

# 3.

## Partnering with suppliers

Our supply chain is an extension of our footprint, and as we look to manage our footprint, we expect our suppliers to do the same. Our approach is set out in our Sustainable Supply Chain Management Code of Conduct and framework.

**We will:**

- Continue to strengthen our Sustainable Supply Chain Management (SSCM) policy framework and screening process to manage emissions and other environmental impacts in our supply chain;
- Work with our suppliers to identify and limit environmental impacts and emissions within our supply chain;
- Engage on climate change and environmental issues and share relevant information and expertise where appropriate; and
- Reward positive environmental performance and environmental values aligned to our own.

# 4.

## Reducing our environmental footprint

Westpac has been setting resource efficiency and emissions targets since 1996. We know that investments in energy efficiency deliver long-term savings. We remained focused on reducing our energy and emissions intensity, and other significant environmental impacts<sup>8</sup>.

**We will:**

- Remain carbon neutral;
- Continuously improve our resource efficiency, including greater emission reductions in our operations;
- Enhance and create leading workplaces that drive improved environmental outcomes;
- Work with our building owners and suppliers to reduce the impact of our operations on the environment; and
- Improve our resource efficiency when refurbishing our local retail networks to deliver ongoing environmental benefits.

# 5.

## Engaging employees

Our people tell us that they value Westpac's commitment to sustainability and that it is an intrinsic part of our culture. We will continue to help people understand what they can do to care for our environment – both as employees and citizens.

**We will:**

- Build greater awareness and continue to support and empower our people to take action in caring for our environment;
- Recognise employee efforts in delivering on objectives across climate change and environmental issues and share relevant information and expertise across the Group; and
- Offer dedicated employee benefits, products and services targeting environmental outcomes.

8. Specific environmental objectives are captured in our 2017 Sustainability Strategy.





## Engagement themes

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In dealing with the risks of climate change and operating in a world of increasingly scarce natural resources we will explore three themes to test our thinking and create business opportunities.

These are:

**1. Building resilience:**

investing to understand and manage the longer term impacts of climate change for our business and the community.

**2. Sustainable cities:**

recognising the vital role that cities have to play in driving real world responses to environmental challenges.

**3. Investing for the Two Degree Economy:**

assessing longer-term economic impacts of limiting global warming to two degrees Celsius.

These investigations between 2014 and 2017 will enable us to develop practical responses and share insights with customers and our communities in how we can work together in responding to risks and creating solutions.



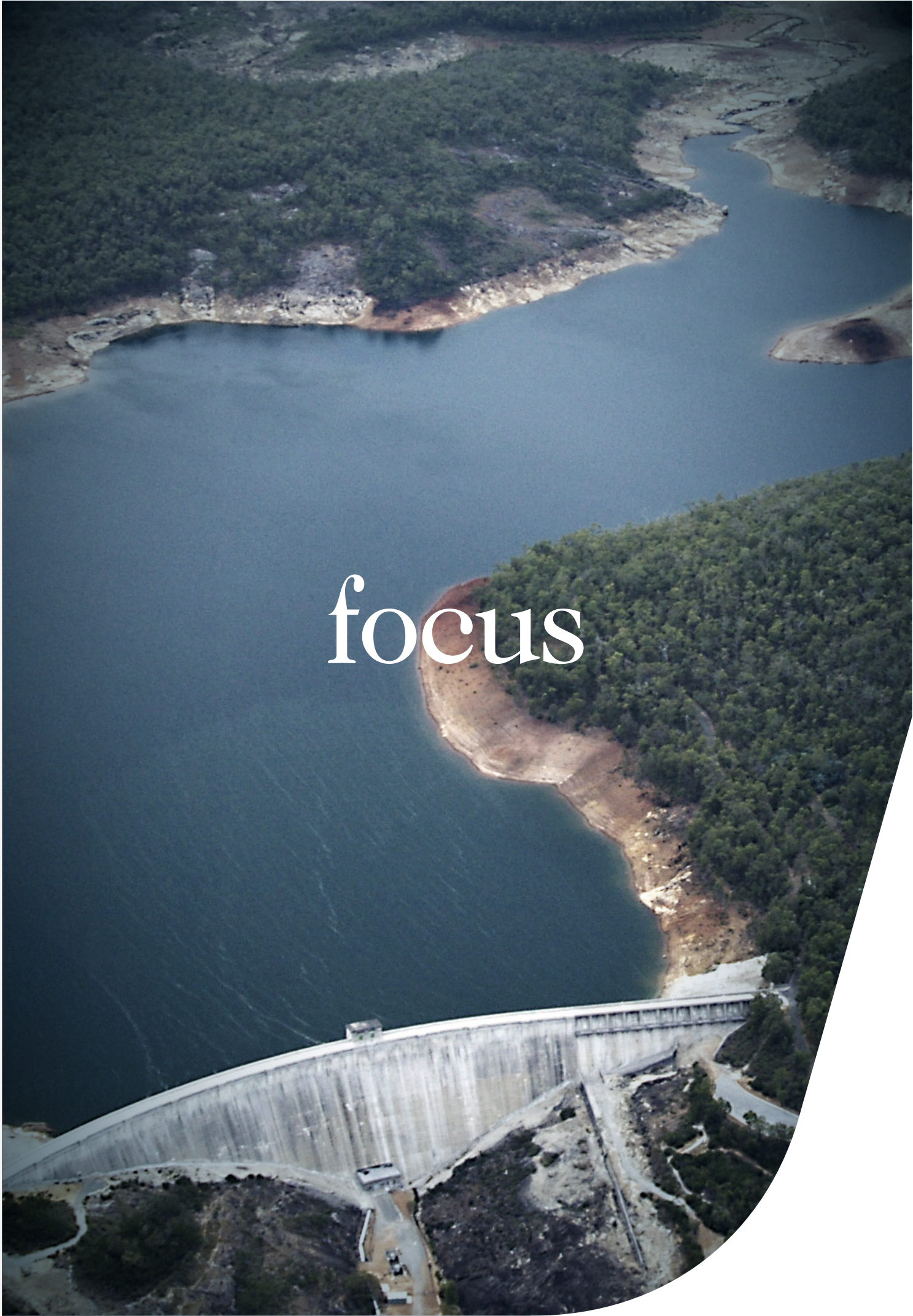
# Environmental Governance

Westpac has a number of governance and oversight forums for the ongoing management of environmental challenges:

- Group-wide sustainability performance is reported to the Westpac Group Executive Team and Westpac Board on a half-yearly basis;
- The Group Sustainability Council has responsibility for the Group's delivery on the sustainability strategy;
- The Environmental Management Committee has responsibility for the Group's footprint and performance against efficiency metrics;
- The CleanTech Working group has responsibility for driving performance against our commitment to make available up to A\$6 billion in lending and investment to CleanTech and environmental services; and
- Working groups are formed to manage specific environmental issues as they arise.

Good corporate governance includes ensuring our people have the knowledge and capabilities they need to effectively identify emerging issues and impacts while meeting our fiduciary duties. We continue to invest in strengthening the skills and capabilities of our executive, management and frontline staff on carbon and environmental risk factors.

Westpac has a longstanding commitment to transparency and accountability in measuring and reporting on the environmental impacts of our operations and business and lending decisions. We will continue to review best practice and to work across our industry to support emerging reporting frameworks for disclosing carbon and environmental risks for our business.







For questions and comments please contact Westpac Group Sustainability.

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