

WESTPAC NEW ZEALAND CLIMATE REPORT



For the year ended 30 September 2023



Important information

This important information should be read together with the cautionary statement at the centre of this page and Important information on pages 32 to 44. Please also read the important guidance, assumptions, limitations and important notices throughout this report to aid your understanding.

All figures and commentary relate to the full year ended 30 September 2023 unless otherwise stated. Due to rounding, the numbers presented throughout this report may not add up precisely and percentages may not precisely reflect absolute figures. For further information on reporting methodologies and definitions, see Important information on pages 32 to 44.

This report contains climate-related and other forward-looking statements and metrics which are not, and should not be considered to be guarantees, predictions or forecasts of future climate-related outcomes or financial performance. The statements are subject to known and unknown risks, uncertainties and other factors, many of which are beyond Westpac NZ's control. These risks and uncertainties may result in actual future results, performance, outcomes, or circumstances to be materially different from those expected at the time of this climate report or may affect our ability to meet commitments or targets set out in this climate report or otherwise made by Westpac NZ. While Westpac NZ has prepared this report based on our current knowledge, expectations and intentions and in good faith, we reserve the right to change our views and intentions in future as new information becomes available to us.

This climate report for the year ended 30 September 2023 has been prepared in relation to Westpac New Zealand Limited (Westpac NZ) on a voluntary basis. Westpac NZ's first reporting period for the purposes of the new climate-related disclosures regime under Part 7A of the Financial Markets Conduct Act 2013 (FMCA) and the Aotearoa New Zealand Climate Standards (NZCS) commenced on 1 October 2023 and Westpac NZ will issue its first mandatory climate statements in accordance with the climate-related disclosure framework prescribed by the FMCA and NZCS for the year ending 30 September 2024. While Westpac NZ has had regard to the NZCS and the recommendations of the Taskforce for Climate-related Financial Disclosures in preparing this climate report, we make no representation that the climate report complies with or contains any or all information required by either reporting framework.

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Cover photo: Our customer Lodestone Energy Limited's Kaitaia farm which is called Kohirā meaning suncatcher.

Photo on left: Jo Sheridan, Demonstration Manager at Owl Farm (our customer) and Jo Faber, Senior Manager Research, Agribusiness.

Ko au te whenua, ko te whenua ko au. I am the land, and the land is me.

As the land nurtures us, we must nurture her. We are co-dependent, it is for all of us to protect and care for her.



Message from the CEO

Climate change is one of the most pressing challenges of our time. Our people, communities, and economy are already feeling its impacts, and the steps we take – or don't take – to decarbonise our economy will have impacts for generations to come.

The way we respond to that challenge also provides opportunity – to build more sustainable businesses and more resilient communities.

Our purpose as a bank is to create better futures together. When Cyclone Gabrielle and other damaging storms hit the North Island this year, we were there for our customers with nearly \$4m of direct financial support. But just as importantly, we need to be there for them in the better times as well, helping future-proof their homes and livelihoods, so they can face climate-related events with confidence.

Internationally, adopting sustainable practices is increasingly becoming non-negotiable, and businesses which fall behind risk losing access to capital, export markets and global talent. Many of our customers are already making the transition, and our job is to support them with the lending and the expert advice they need.

At Westpac NZ, we're stepping up to help our customers and communities transition to a resilient, low emissions economy, while also preparing them for the impacts of a changing climate. The last 12 months has seen us strengthen our teams and broaden our sustainable lending



products to better support customers. We have used our strength as a bank to help them take meaningful action in their lives and businesses to mitigate and adapt to climate change.

Whether it's a home loan top-up to buy an electric vehicle (EV), discounted lending to farmers to incentivise emissions reductions and better on-farm practices, or innovative lending to help big businesses deliver on environmental, social and governance (ESG) targets for their stakeholders, we're working together with our customers from the back paddock to the top end of town.

2023 marks our 4th year of voluntary reporting on our climate impact. This report sets out our progress and outlines the work that is still to be done. We continue to focus on reducing our operational emissions, as well as better understanding and managing our climate-related financial risks, while monitoring emerging risks like natural capital degradation. Each year this report offers greater depth of information, as we build on our reporting scope and capabilities and prepare to align to mandatory climate-related disclosures from 2024 onwards.

We welcome your feedback on what we're doing well, and what more we can do to step up and help build a more resilient sustainable Aotearoa.

Catherine McGrath

Climate leadership

✓ We were Aotearoa's first Toitū net carbonzero certified bank. We're actively reducing our operational emissions and offsetting the remainder by purchasing Aotearoa native permanent forestry carbon credits.



✓ We are a founding member of Toitū Tahua, the Centre for Sustainable Finance, helping to accelerate progress towards a sustainable and equitable financial system in Aotearoa by committing capital and resource.



✓ We are a founding member of the Climate Leaders Coalition (CLC), committed to working together on our transition towards a net-zero and climate resilient future where Aotearoa and all Kiwis can thrive. We were one of the first signatories of the CLC's new Statement of Ambition 2022, leading the response to climate change through collective, transparent, and meaningful action on mitigation, adaptation and transition.



2023 HIGHLIGHTS



Exceeded our target to enable \$10b in sustainable finance by 2025, two years ahead of schedule.



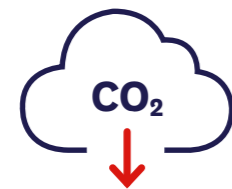
Launched a new Sustainable Farm Loan, NZ's first ever 'all-of-farm' sustainable loan.



Launched a new Sustainable Business Loan to support business customers with sustainable assets and activities.¹



Expanded our Greater Choices home loan for energy efficient transport and healthy homes.



Reduced operational emissions by 36.8% in 2023 vs our 2019 baseline.²



Helped develop a Natural Capital Position statement, which outlines Westpac Group's ambition to become a nature positive bank.³



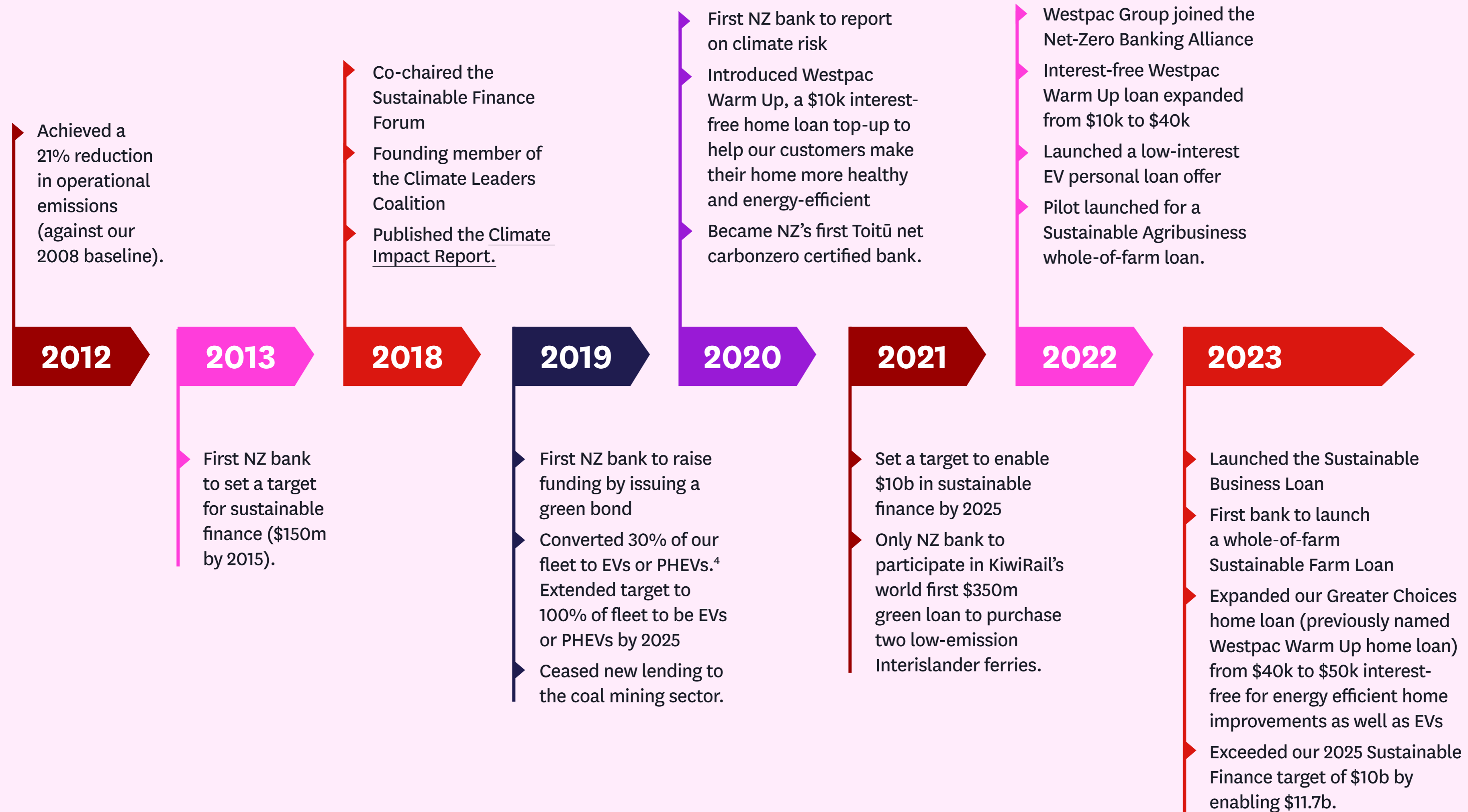
Established an ESG Advisory team dedicated to supporting customers in the transition to a low emissions, and climate resilient economy.



Released sector level targets for our Net-Zero Banking Alliance commitments for our most material lending sector: agriculture (dairy and sheep & beef).

1. Westpac NZ's Sustainable Business Loan is available to Corporate and Agribusiness customers for sustainability investments that deliver environmental benefits, activities that will help them adapt to adverse weather events arising from the impacts of climate change, or projects and initiatives that deliver positive social outcomes.
 2. Westpac NZ's reporting period for operational emissions is aligned to Westpac Banking Corporation reporting period of July to June in accordance with Australia's National Greenhouse and Energy Reporting Act.
 3. A bank that supports nature positive outcomes. Nature positive is a high-level goal and concept describing a future state of nature (e.g. biodiversity, ecosystem services and natural capital) which is greater than the current state.

OUR JOURNEY



4. Plug-in hybrids.

GOVERNANCE



Our governance approach

Westpac NZ is a subsidiary of Westpac Banking Corporation (WBC). We are a stand-alone registered bank in New Zealand, with our own Executive Team (ET) and Board of Directors (Board). As a stand-alone bank, we make commitments that are specific to our own operations. As part of the wider Westpac Banking Corporation Group (Westpac Group), we also adopt Westpac Group positions and contribute towards Westpac Group actions where they are appropriate to the Aotearoa context. Unless otherwise specified, the disclosures in this report relate to Westpac NZ.

An example of our inclusion in a Westpac Group-wide commitment is the Westpac Group commitment to the UN-convened Net-Zero Banking Alliance (Net-Zero Banking Alliance). This commitment requires us to set emissions reduction targets for material emitting sectors of our lending portfolios and align our emissions from operations and our lending portfolio to net-zero by 2050. The Westpac NZ Board approves targets that are specific and relevant to Westpac NZ and supports Westpac Group-wide targets. Westpac Group-wide targets are approved by the WBC Board.

An example of a Westpac NZ specific commitment, which is relevant to our Aotearoa operations, is our Climate Leaders Coalition membership and commitment. We are a founding member and have signed up to the 2022 Statement of Ambition, which highlights our commitment to working together to accelerate our transition towards a net-zero and climate resilient future.

The Westpac Group Climate Change Position Statement and Action Plan lays out Westpac Group’s, including Westpac NZ’s, ambition to become a net-zero, climate resilient bank. The Position Statement is principles-based and lays out the overarching position whilst the Action Plan lays out the actions Westpac Group will take to meet our ambition. The Position Statement and Action Plan have been approved by the WBC Board.

Climate governance for Westpac NZ

The Board and ET are accountable and responsible for managing the impact of climate change on our business. These accountabilities and responsibilities ensure climate change risks and opportunities are overseen at the highest levels. We are increasingly embedding climate change risk management into our governance processes and operations and will continue to do so in the next financial year.

The diagram on the right shows how climate change-related information flows through our governance structure. This enables climate considerations to be embedded into our day-to-day operations and supports informed decision-making throughout our various governance levels, with advice on material climate-related risks and opportunities feeding in from across the business.

Chart 1: Westpac NZ climate governance.

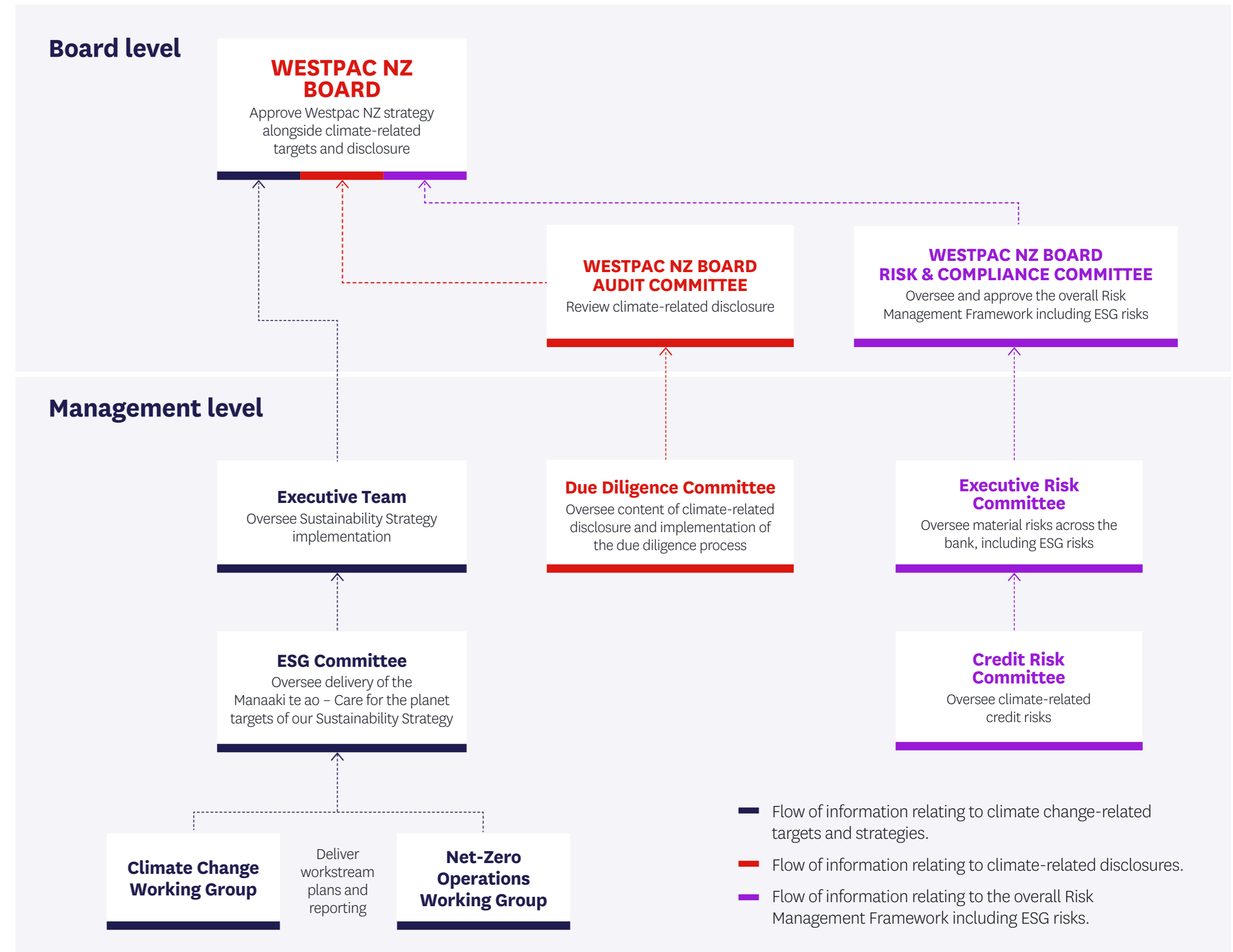
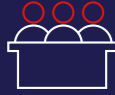





Table 1: Westpac NZ climate governance.

	Climate strategy & targets	Climate risk governance	Climate reporting
 Board-level governance	Our Board oversees our strategic direction including the social, ethical and environmental impact of our activities, and monitoring compliance with Westpac NZ’s sustainability policies and practices.		
	<p>The Board considers Westpac NZ’s ESG obligations and sets our Sustainability Strategy. It oversees Westpac NZ’s strategic response to climate-related risks and opportunities and monitors the progress against strategic targets.</p> <p>As part of its responsibilities, the Board approved the Westpac NZ 2025 Sustainability Strategy and Net-Zero Banking Alliance targets which are specific to New Zealand, and supported Westpac Group Net-Zero Banking Alliance targets that include Westpac NZ customers in their scope. The Board receives recommendations on these matters from our ET.</p>	<p>The Westpac NZ Board Risk and Compliance Committee (BRCC) has delegated responsibility for the oversight of climate-related risk identification, assessment and management. As part of its oversight, BRCC can set targets to address climate-related issues and assesses impacts on relevant risk classes. Alongside these responsibilities, BRCC reviews and approves our Sustainability Risk Management Framework, which includes climate-related risks, every two years. BRCC also receives a quarterly risk report that includes updates on sustainability and climate-related risks from our Chief Risk Officer.</p>	<p>Our climate-related disclosures are approved by the Board, upon recommendation of the Westpac NZ Board Audit Committee (BAC), which assists the Board to oversee the integrity of our annual climate disclosures. As part of its review, BAC receives confirmation from the BRCC Chair that the risk management content of the disclosures is consistent with information provided to BRCC by the business.</p>
 Executive-level governance	<p>Our ET receives advice from the business regarding the impact of climate-related targets, such as Net-Zero Banking Alliance targets, on our New Zealand customers, which is considered when recommending Net-Zero Banking Alliance targets to the Board.</p> <p>The ESG committee meets monthly. It provides recommendations to the ET and oversees the implementation of the climate-related targets in our 2025 Sustainability Strategy, and the Westpac NZ climate-related work programme. The Committee comprises key ET members accountable for specific ESG initiatives.</p> <p>WNZL’s CEO is a member of the Westpac Group Environmental, Social, Governance and Reputation Committee. The Committee is chaired by the Westpac Group CEO and includes Westpac Group Executives of the major operating divisions, the Chief Risk Officer, Group General Counsel, and other senior executives with ESG accountabilities. The Committee meets at least five times a year. Alongside supporting the Westpac Group CEO to make decisions on significant reputation and ESG-related matters, the Committee oversees the implementation of Westpac Group’s Sustainability Strategy and ESG agenda, including climate.</p>	<p>Our Executive Risk Committee (RISKCO) is a committee of our ET which supports the oversight of material risks across the bank, including climate-related risks. As part of this oversight, RISKCO receives quarterly risk reporting from the wider business, which include updates on sustainability and climate-related risks.</p>	<p>BAC also receives support for our annual climate-related disclosures from our Due Diligence Committee, a committee of some of our ET that oversees the reporting process and validation undertaken by the business for our annual climate-related disclosure.</p>
 Management-level governance	<p>Our Climate Change Working Group supports the ESG Committee. This working group advocates for climate action and increased awareness and capacity across the business. It meets monthly and consists of key senior managers who implement specific ESG initiatives.</p> <p>Our Net-Zero Operations Working Group supports the implementation of our operational emissions reduction target. Its membership consists of employees who work with key suppliers and employees to influence our operational emissions. This group meets monthly.</p>	<p>A subcommittee of RISKCO, the Credit Risk Committee (CREDCO), oversees climate-related risks that present a credit risk to our business. CREDCO recommends enhancements to the Westpac NZ risk appetite statements and credit policies. CREDCO receives quarterly climate risk updates from the credit risk team with support from the wider business.</p> <p>Westpac NZ is also a member of the Westpac Group Climate Change Financial Risk Committee, which focuses on identifying and managing climate-related financial risks across the wider Westpac Group, including the potential impact on credit exposures from climate change-related transition and physical risks.</p>	<p>Management supports the production of the annual climate-related disclosures.</p>
 Further details	<p>Further details of how we consider climate change in our strategy can be found in the Strategy section on page 9.</p>	<p>Further details of how we manage climate-related risk can be found in the Risk Management section on page 24.</p>	

Governance strengthening

In 2023, we undertook a review of our governance in relation to climate change risks and opportunities and identified areas where we could enhance our ESG governance. As a result, we have updated our Board and Board Committee charters to include further detail on ESG-related responsibilities. In addition, we have updated our Board Skills Matrix to expand on ESG capability.

ESG training for the Board and ET is scheduled in the first quarter of 2024. This aims to strengthen understanding of the rapidly evolving demands, opportunities and challenges related to sustainability and climate change, how organisations are navigating the transition, and how the Board and ET can support and guide the organisation.

Remuneration

Our CEO 2023 Scorecard included KPIs in relation to progress on our operational emissions target, in line with our 2025 Sustainability Strategy, and the development of Agribusiness Net-Zero Banking Alliance targets specific to the New Zealand context. For more details on the Net-Zero Banking Alliance refer to page 17.

STRATEGY



At Westpac NZ we recognise that climate change is a complex problem that requires a carefully balanced approach of mitigation and adaptation to its impacts. Our purpose of creating better futures together is paramount to the way we do business. We understand how important taking action is to mitigate climate change and transition Aotearoa to a low emissions economy.

We aim to be a net-zero, climate resilient bank. As outlined in the [Westpac Group Climate Change Position Statement and Action Plan](#), Westpac Group is committed to reducing the Group’s direct operational and financed emissions in line with a 1.5°C pathway⁵ to net-zero by 2050. Climate change is also considered in the development and implementation of our enterprise strategy and our aligned [2025 Sustainability Strategy](#).

Alongside the Westpac Group Climate Change Position Statement and Action Plan, we have developed our internal Westpac NZ Climate Change Plan, which provides an Aotearoa-specific framework to guide the way we manage climate change risks and opportunities within our business.

In developing this plan, we considered our commitments such as the Westpac Group Climate Change Position Statement and Action Plan, our 2025 Sustainability Strategy, and our commitments under our memberships like the Climate Leaders Coalition. Our internal Climate Change Plan provides a roadmap for how we are aiming to meet our commitments.

We are aware that our actions can have flow-on impacts on Aotearoa and our communities and are focused on achieving our ambition while limiting potential negative impacts to our communities and natural environment. According to NZ Treasury’s 2023 Climate and Fiscal Economic Assessment, Māori are especially challenged by impacts from the transition to a low emissions economy and the physical risks of climate change.⁶ The cultural connection to whenua, particularly in low-lying areas, creates a unique challenge to physical risk. Recognising the links between climate change, nature and human rights, Westpac Group has also released our first [Natural Capital Position Statement](#) and updated our [Human Rights Position Statement](#). These statements are operationalised through Westpac NZ’s internal action plans.

In addition to the actions we are taking as a bank, we also recognise that collective action is vital and are committed to engaging with our stakeholders, including our customers, communities, suppliers, industry groups and government to encourage the widespread action needed.

Our Sustainability Strategy

He rau ringa manaaki (Many hands working together) is our 2025 Sustainability Strategy. Released in 2021, this public strategy outlines our commitment to Manaaki te ao (Care for the planet), Manaaki te tāngata (Care for people), and E tipu pūtea ora (Grow financial wellbeing).

Under the Manaaki te ao pillar, our aim is to support Aotearoa’s transition to a resilient, low emissions economy. We have two climate-specific goals supported by three targets:

Goal	Target
 <p>Net-zero operations: Measure, reduce & report our footprint and encourage suppliers and employees to do the same.</p>	<p>Reduce operational CO₂e by 30% (vs 2019) by 2025</p> <ul style="list-style-type: none"> Reduce scope 1, 2, and 3 mandatory emissions⁷ to 4,359 tCO₂e.
 <p>Help Aotearoa take action on climate change: Build in climate change risk and opportunities to our lending and investment decisions, and help our customers do the same.</p>	<p>Enable \$10b in sustainable finance by 2025⁸</p> <ul style="list-style-type: none"> Provide \$6b of sustainable lending to customers (e.g. renewable energy, education, low carbon transport) Facilitate \$4b of sustainable bonds for our customers and Westpac. <p>Manage our climate-related financial risks.</p> <ul style="list-style-type: none"> Help our customers and communities transition to a low emissions economy and adapt to climate change.

The urgency on climate action has continued to increase since our 2025 Sustainability Strategy was published in 2021, and our response continues to evolve. We have set further targets as part of Westpac Group’s Net-Zero Banking Alliance commitment. Additional detail on our commitment can be found on page 17.

However, climate change isn’t the only environmental issue facing Aotearoa. Degradation of our natural resources and systems (often referred to as natural capital) is an emerging risk that poses both risks and opportunities to our business, and our customers and communities. Protecting and restoring natural capital will be a vital part of our transition to a low emissions economy. We have a growing role in supporting nature-positive environmental outcomes with a focus on understanding:

- deforestation
- restoration and regeneration
- loss of critical habitat and
- natural capital finance.

Read more about how we’re considering our response to climate change with natural capital in our [2023 Westpac NZ Sustainability Report](#).

5. A pathway to net-zero by mid-century, or sooner, including CO₂e emissions reaching net-zero at the latest by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100.
 6. The Treasury (April 2023) Climate Economic and Fiscal Assessment 2023 – Ngā Kōrero Āhuarangi Me Te Ōhanga: Climate Economic and Fiscal Assessment 2023 (treasury.govt.nz)
 7. For details on how we measure this see Understanding our GHG emissions on page 13
 8. This is a cumulative target which comprises (a) \$5b for lending to Climate Change Solutions, \$700m for lending for healthy, affordable and social housing, and other environmental, social and sustainability-linked lending (building on Westpac NZ’s FY20 exposure), and (b) facilitation of sustainable bonds (for customers and Westpac NZ treasury) by Westpac Banking Corporation (acting through its New Zealand Branch) from 1 October 2020 to 30 September 2025. All sustainable finance reported is informed by global sustainable finance market standards, principles and guidance that are commonly used to label or categorise loans and bonds as sustainable. The sustainable finance target includes finance for social and non-climate sustainability initiatives which may not reduce climate change risk.

Climate risks and opportunities

We understand that climate change will impact our operations, suppliers, customers and employees.

Our offices, branches and ATMs are exposed to different types of physical and transition risks, such as extreme weather events impacting our customers’ ability to access our services.

Our lending portfolio also exposes us to climate risks. Physical and transition impacts on our customers may impact their ability to operate and thrive in the transition to a low emissions economy. This in turn impacts our business if those customers are not able to meet their interest or repayment obligations to us.

However, significant capital investment will be needed to respond to climate change, which also presents us with opportunities. Some of the ways we are supporting our customers and communities are:

- Providing training and resources on climate change, the transition to a low emissions economy, and our role in that transition to our customers and staff
- Engaging with high-emitting customers on their specific ESG risks and opportunities and supporting their transition planning
- Delivering sustainable financing to incentivise decarbonisation and accelerate investment in Climate Change Solutions⁹

- Integrating sustainability into our business and consumer product offerings, including our Sustainable Farm Loan, Sustainable Business Loan, Greater Choices Home Loan and EV Loan
- Providing project finance across a range of sectors to support the transition to a low emissions economy
- Thought leadership through our participation in conferences, panels, and partnerships.

Assessing our lending exposures in key industries.

In 2018 we commissioned a [Climate Change Impact Report](#), which assessed the impact of climate change on New Zealand’s economy through to 2050, and identified key sectors exposed to transition and physical risks. We have continued to track this, and the table below shows our 2023 exposure to these industries.

For details of the Net-Zero Banking Alliance targets, please see the Net-Zero Banking Alliance section on page 17.

Table 2: Westpac NZ’s lending exposure to key industries subject to climate-related risks.

Industry sector ¹⁰	Climate-related risks	Potential impacts and Westpac response	Total Committed Exposure (as at 30 September 2023)
Agriculture & forestry <ul style="list-style-type: none"> • Dairy • Forestry • Horticulture • Sheep & beef farming 	Mix of physical risks, e.g. drought, flooding, erosion, storms, and transition risks, e.g. consumer preferences, regulation.	Emissions reductions of methane, nitrous oxide and, to a lesser degree, carbon dioxide, require widespread adoption of best practice farm management systems. For some farms stocking numbers could reduce. Significant expansion of both exotic and native forests is required to meet New Zealand’s emissions budgets. Anticipated emissions pricing provides an additional financial incentive to decarbonise. Agriculture is subject to the sector target under Westpac Group’s commitment to the Net-Zero Banking Alliance.	\$9,812m \$6,263m \$278m \$1,269m \$2,002m
Oil & gas (incl. mining ¹¹ & production, supply & retail)	Primarily transition risk as demand for fossil fuels (oil, gas, coal) declines over the long-term and is replaced by renewable/low emissions alternatives.	While gas plays a role in replacing coal, as an input in industrial processes and for back-up power generation, demand will reduce significantly over the coming decades with the electrification of transport. Upstream Oil and Gas is subject to the sector target under Westpac Group’s commitment to the Net-Zero Banking Alliance.	\$316m
Power generation (incl. generation, transmission and distribution)	Mix of physical risks, e.g. dry years, disruption from extreme events, and transition risks, e.g. phasing out of non-renewables.	New baseload generation capacity is expected to be renewable. Current uncertainties over the future of large users (e.g. Tiwai) are a barrier to large scale investment in new generation. Power Generation is subject to the sector target under Westpac Group’s commitment to the Net-Zero Banking Alliance.	\$2,468m
Transport (incl. air, rail, road freight and port operations)	Mix of physical risks, e.g. exposed infrastructure, disruption from extreme events, and transition risks, e.g. transition to electric vehicles, hydrogen etc.	Current assets can operate until the end of their economic life. Low emissions assets generally have higher upfront cost but lower running costs, making the transition a finance challenge. The electrification of the private vehicle fleet may be hampered by supply constraints. Aviation is subject to the sector target under Westpac Group’s commitment to the Net-Zero Banking Alliance.	\$1,434m

9. The term “Climate Change Solutions” includes lending to projects, assets or activities that are considered consistent with the investment required to achieve the goals of the Paris Agreement and address the impacts of climate change. This includes (but is not limited to) lending to the categories of energy efficiency, green buildings, renewable energy, low carbon transport, waste and forestry, that align to the Green Loan Principles.

10. Australian & NZ Sector Industry Codes (ANZSIC) have been used as the basis for identifying key industry sectors. Westpac NZ ceased lending to the coal mining sector in 2019.

11. This includes coal mining. We ceased lending to the coal mining, with residual remediation bonds of TCE \$0.1m remaining.

Our lending exposures to heightened risks from sea-level rise.

During 2020, we undertook a scenario analysis process to build our understanding of the potential impacts that coastal hazards could have on our lending exposures. This analysis was based on current and future risks out to 2050 under 1.5°C and 4°C climate change scenarios (Representative Concentration Pathways RCP2.6 and RCP8.5). Data used in the analysis was provided by the National Institute of Water & Atmospheric Research – Taihoro Nukurangi (NIWA). We have been disclosing the approximate proportion of our lending portfolio secured by properties vulnerable to heightened risks¹² from sea-level rise since 2020.

Table 3: Lending portfolio exposure to sea-level rise.

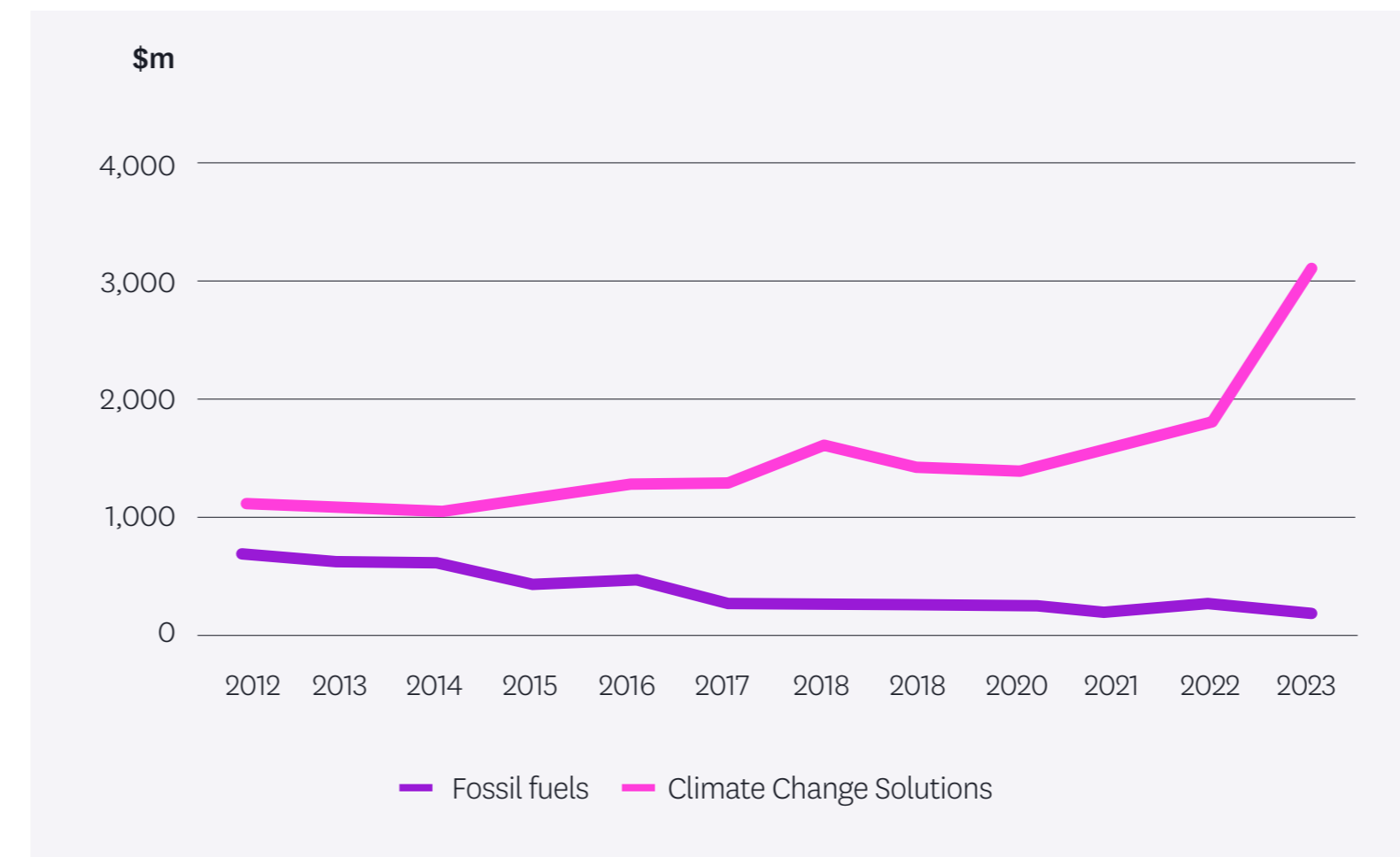
Segment	Approximate % of Total Committed Exposure at heightened risk of sea-level rise by 2050				Comment
	2023	2022	2021	2020	
Residential mortgages	2.1%	2.1%	2.3%	2.3%	Westpac NZ's exposure has remained relatively stable and reflective of a well-diversified portfolio. Approximate percentages shown are as at 30 September.
Commercial property lending	3.4%	2.1%	2.2%	2.1%	
Agricultural lending	3.5%	3.4%	3.4%	2.9%	

Our lending exposures to the fossil fuel sector relative to our lending to Climate Change Solutions

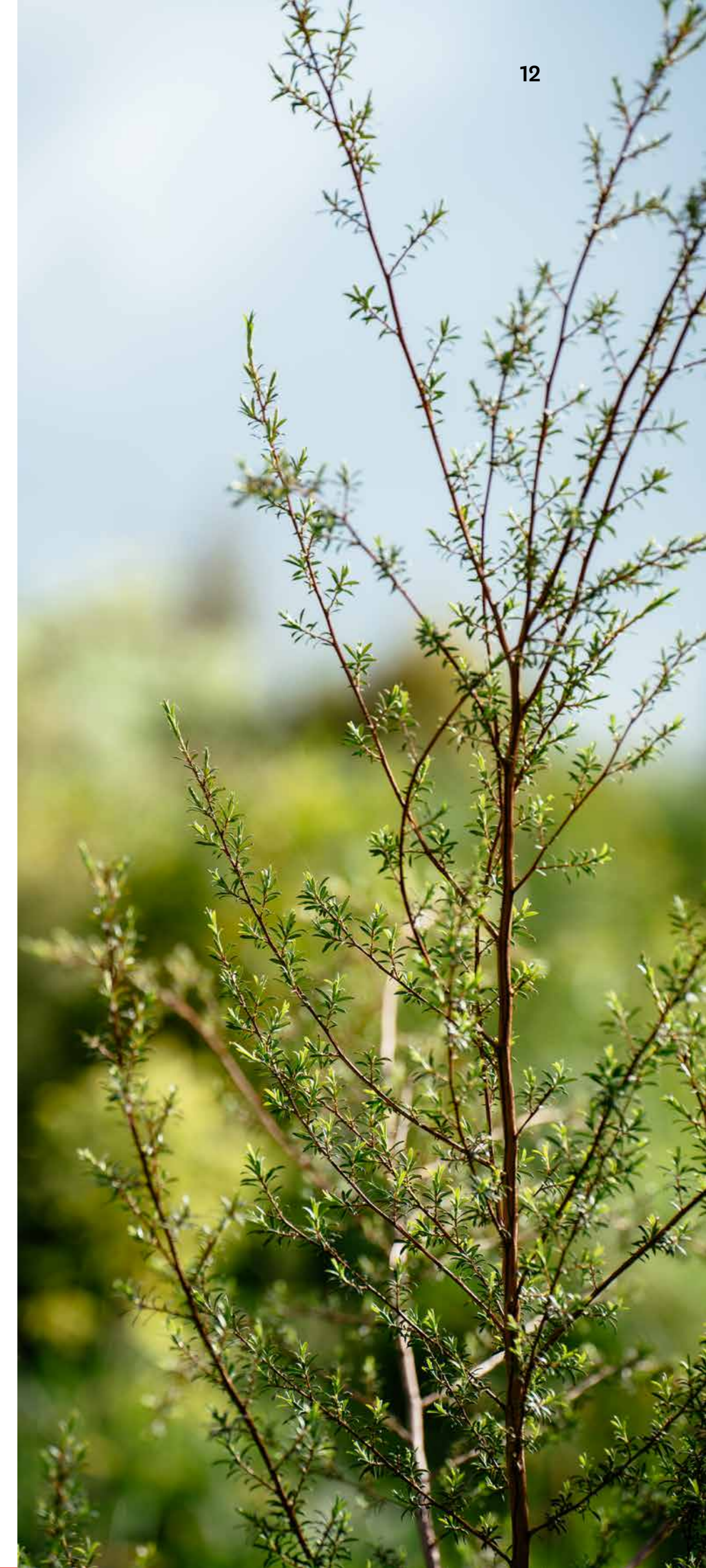
Since 2012, we have been disclosing our lending to the fossil fuel sector relative to our Climate Change Solutions¹³ lending (such as renewable energy) to track our progress on supporting our customers' transition to a low emissions economy. As at 30 September 2023, our exposure to fossil fuel mining and extraction¹⁴ is \$193m, a reduction of 72% since 2012. Lending to fossil fuel mining and extraction has remained steady over recent years as we support the transition of our remaining customers.

We have used the research findings and our understanding of our exposures to these industries to inform the way we support our customers' transition. Further information on the support we provide through our ESG Advisory team and product offerings can be found on pages 18.

Chart 2: Climate Change Solutions vs fossil fuel mining and extraction.



12. Heightened risk is defined as annual exceedance probability of 10% or more, as well as general exposure to coastal erosion under NIWA's Coastal Sensitivity Index.
 13. The term "Climate Change Solutions" includes lending to projects, assets or activities that are considered consistent with the investment required to achieve the goals of the Paris Agreement and address the impacts of climate change. This includes (but is not limited to) lending to the categories of energy efficiency, green buildings, renewable energy, low carbon transport, waste and forestry, that align to the Green Loan Principles.
 14. Fossil fuel lending includes total committed exposure (TCE) to fossil fuel mining and extraction (coal mining, oil & gas extraction, metal ore mining, mining support services) and excludes pre-settlement risk. TCE is at end of period (net of reductions during the period).



Scenario analysis

This year, we engaged a third-party to help us develop climate change scenario narratives and facilitate a workshop with senior leaders from across the business to identify and understand climate change risks and opportunities, and test how our current business strategy would perform.

We selected two scenarios (Orderly Transition and Hot House World) developed by the New Zealand Banking Association (NZBA) Climate Scenario Narratives Report, which we contributed to the development of. We also selected the “Too Little, Too Late” scenario set by the Reserve Bank of New Zealand/Te Pūtea Matua (RBNZ) in its **2023 Climate Stress Test** which allowed us to align with the 2023 RBNZ Stress Test concurrently being undertaken within our business. This scenario was customised to be relevant and specific to Westpac NZ.

While we understand that stress testing is different to scenario analysis – especially in relation to scenario analysis being more encompassing of risks and opportunities for a future plausible pathway – we have chosen these three scenarios for 2023 as we believe they are three divergent yet plausible paths for us to test our strategy.

An overview of the three scenarios is summarised in Table 3 to the right, along with the brief narratives provided in the appendix on page 34.

The scenarios were broken down into overview, transition responses, socioeconomic outcomes, business risks and organisational-level risks with a particular focus on our key priority sectors of agriculture, residential mortgages and commercial real estate.

The analysis process took the form of a workshop. Senior leaders from across the business took part in the workshop and were asked to consider the risks and opportunities of each scenario and the actions Westpac NZ could take accordingly. Further scenario analysis sessions are being planned currently with senior management.

This is the first time Westpac NZ has conducted a climate change focused scenario analysis against our enterprise strategy. While this was a standalone analysis this year, we anticipate further scenario analyses will be undertaken, as our climate adaptation business planning and strategy process matures.

Table 4: Summary of scenarios.

	Orderly Transition	Too Little, Too Late	Hot House World
Key assumption	A future world where timely, coordinated, and collective action has been taken to transition to a low carbon future, achieving net-zero by 2050.	A future world where global action to reduce emissions was left too late and resulting efforts were insufficient to avert substantial climate change.	A future world characterised by high levels of climate-related physical risk, as limited efforts were made to transition to a low carbon economy.
Policy trajectory	1.5°C by 2100	2°C by 2050 on track for 3.2°C by 2100	2.5°C by 2050 and 4.4° by 2100
Policy response	Immediate and consistent	Staggered during the 2030s	None
Demand for technology change	Immediate	Staggered during the 2030s	Slow, price driven
Physical risk	Moderate	High	Extreme
Transition risk	Moderate	High	Low
Reference scenarios	Network for Greening the Financial System Net-Zero 2050. NZBA's Orderly scenario: IPCC SSP1-1.9.	Network for Greening the Financial System Delayed Transition for transition risk. Network for Greening the Financial System Current Policies for physical risk.	NZBA's Hothouse scenario: IPCC SSP5-8.5.

Understanding our GHG emissions

For Westpac NZ to achieve our net-zero goals, we must be able to understand our greenhouse gas (GHG) emissions so that we can make impactful change in the areas that need it most.

The assessment of our GHG emissions is summarised into the below categories:

Table 5: Summary of Westpac NZ's 2023 GHG emissions.

Emissions Type	2023 (tCO ₂ e)	% of total
Scope 1: The release of GHGs into the atmosphere as a result of Westpac NZ's direct operations such as our fleet cars and refrigerants.	989*	0.02
Scope 2: Indirect GHG emissions from the consumption of purchased electricity by Westpac NZ.	897*	0.01
Scope 3: Indirect GHG emissions that occur in Westpac NZ's supply chain such as air travel, accommodation, data centres, paper usage, waste and taxis.	Mandatory ¹⁵ : 2,051* Additional ¹⁶ : 769*	0.03 0.01
Scope 3: Financed emissions: Indirect emissions associated with our downstream activities related to lending. This includes Scope 1 and 2 emissions from residential mortgages, commercial real estate and business lending and Scope 3 emissions from the mining and manufacturing sectors within business lending.	6,423,179	99.93
Scope 3: Facilitated emissions: Our downstream emissions related to our capital markets activities such as bond origination. These are not currently calculated as there is no standard methodology available for determining facilitated emissions.	Not reported (NR)	NR
Total	6,427,884	100

* Our reporting period for operational emissions is aligned to WBC's reporting period of 1 July to 30 June in accordance with Australia's National Greenhouse and Energy Reporting Act. This differs from our financed emissions, which are reported for our financial year (October to September). We acknowledge that our reporting period for operational emissions will need to match the financial year in 2024.

15. Scope 3 mandatory emissions are mandatory supply chain emission sources required under the Toitū net carbonzero certification (Toitū) Programme. These include transmission and distribution losses, transport (air travel, non-fleet activity including taxi usage and private cars) and waste.

16. Scope 3 additional emissions are supply chain emissions we have included above the minimum Toitū Programme requirements as we deem these emissions to be material to our business. These include accommodation, data centre electricity usage, paper use, freight of cash and working from home.



Our operational GHG emissions.

Operational emissions are associated with our day-to-day running of the business. We have been measuring and reporting our operational emissions since 2008. Our current target commits us to reduce our operational GHG emissions 30% by 2025 from a 2019 baseline and to offset our residual operational emissions with New Zealand native forestry credits. This target includes Scope 1, 2 and 3 mandatory emissions.¹⁷

Scope 3 financed emissions are not included within the boundary of operational emissions and is detailed on page 16.

Our total gross operational emissions in Environmental Year 2023 (EY23)¹⁸ were 4,705 tCO₂e equating to a 36.8% reduction against our 2019 base year.

These emissions were comprised of:

1. 3,937 tCO₂e from Scope 1, 2 and 3 mandatory emissions.
2. 769 tCO₂e from Scope 3 additional emissions.¹⁹

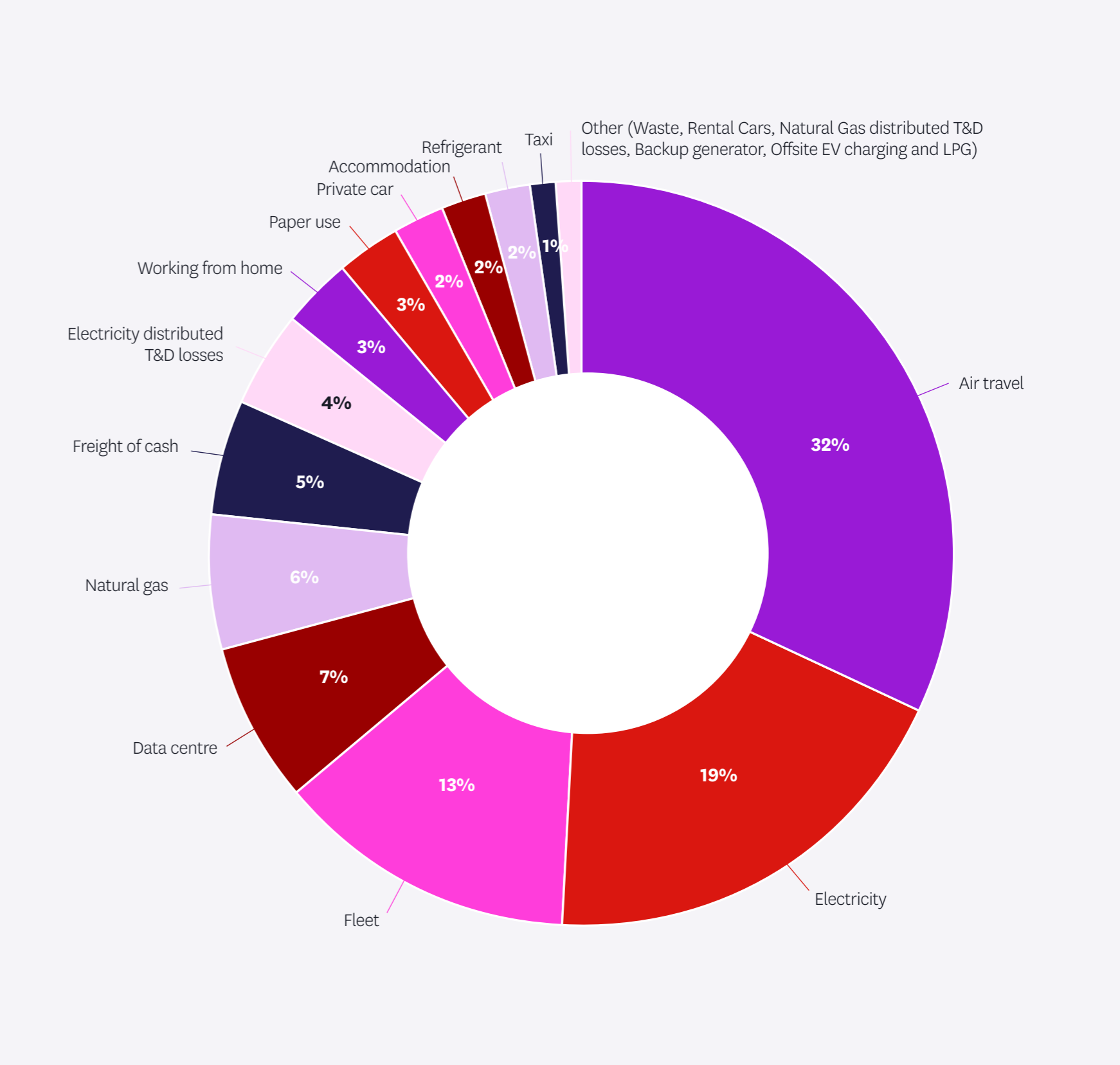
Our top operational emissions sources are air travel (32%), electricity (19%) and our fleet (13%).

Key activities over the year included:

- Reviewing Westpac NZ’s travel policy and working with our travel agent supplier to raise awareness of business travel emission
- Converting our vehicle fleet to EVs/PHEVs to 75% as at 30 September 2023.

Next year we plan to explore EV home charging for our fleet car drivers and continue to roll out more Westpac-owned charging infrastructure.

Chart 3: Westpac NZ’s EY23 operational GHG emissions inventory.



17. Scope 3 Mandatory emissions are mandatory supply chain emission sources required under the Toitū net carbonzero certification (Toitū) Programme. These include transmission and distribution losses, transport (air travel, non-fleet activity including taxi usage and private cars) and waste.

18. Westpac NZ measures and reports its annual emissions for the twelve months ending 30 June ('environmental year').

19. Scope 3 Additional emissions are supply chain emissions we have included above the minimum Toitū Programme requirements as we deem these emissions to be material to our business. These include accommodation, data centre electricity usage, paper use, freight of cash and working from home.

Summary of our operational emissions.

This table summarises our performance since the beginning of our Toitū net carbonzero journey.

Table 6: Westpac NZ’s operational GHG emissions.

	EY23 (tCO ₂ e)	EY22 (tCO ₂ e)	EY21 (tCO ₂ e)	EY20 (tCO ₂ e)	EY19 (tCO ₂ e)
Scope 1	989	982	1,306	1,408	1,674
Scope 2	897	1,812	2,049	2,073	1,901
Scope 3 – Mandatory ²⁰	2,051	1,020	1,044	1,913	2,650
Total gross Mandatory operational emissions	3,936	3,814	4,399	5,394	6,225
Scope 3 – Additional ²¹	769	1,136	1,037	1,122	1,122
Total gross operational emissions²²	4,705	4,950²³	5,437²³	6,517²³	7,347
Emissions intensity					
Operating revenue (gross Mandatory tCO₂e/\$Millions)	1.27	1.36	1.77	2.24	2.44
Operating revenue (gross tCO₂e/\$Millions)	1.52	1.76	2.18	2.71	2.88

Although emissions for our electricity usage have decreased in EY23, it is important to note this has been driven by the decrease in the electricity emission factor, which in turn significantly decreased our total emissions attributed to electricity. The decrease was driven by the increase in renewable energy generation during the 2022 calendar year.²⁴

Frameworks and certifications.

Westpac NZ is Toitū net carbonzero certified for our EY23 emissions period.

Our operational GHG emissions sources included in our inventories are those required for Toitū’s net carbonzero programme certification and were identified with reference to the GHG Protocol and the ISO 14064-1:2018 standard. Toitū Envirocare have issued reasonable²⁵ assurance over our Scope 1, 2 and 3 mandatory emissions for EY23, as set out in the [Toitū assurance report](#).

Residual emissions.

Although our priority is to reduce our direct emissions, we also recognise that carbon credits and carbon sequestration have a role to play in our national emission reduction goals. This is particularly true for certain hard-to-abate sectors where the near-term options or technologies to reduce emissions are not yet available or economically viable.

Since 2019 we have offset our residual operational emissions using New Zealand native forestry carbon credits to obtain Toitū net carbonzero certification, opting to offset our gross emissions inventory including our Scope 3 additional emissions.

To offset our emissions for the EY23 period, we purchased 4,415 units from the Spray Point, Marlborough GHG removal project and 153 units from Totaranui in Clova Bay, Marlborough under the Permanent Forest Sink Initiative. Spray Point is a native forest regeneration site, under a QEII covenant. Consisting of a diverse range of vegetation, the forest also provides a breeding area for



GHG removal project at Spray Point, Marlborough

the karearea (New Zealand falcon). Totaranui in Clova Bay, Marlborough is a regenerated native forest with a wide range of trees including rātā, totara, beech, rimu, miro, lancewood and kamahi. It provides shelter for native animals including kererū, kakariki, tomtit, rifleman and weka. From 1 January 2024, the Permanent Forest Sink Initiative will cease operating. We will look to alternative offset initiatives in 2024.

20. Scope 3 Mandatory emissions are mandatory supply chain emission sources required under the Toitū net carbonzero certification (Toitū) Programme. These include transmission and distribution losses, transport (air travel, non-fleet activity including taxi usage and private cars) and waste.

21. Scope 3 Additional emissions are supply chain emissions we have included above the minimum Toitū Programme requirements as we deem these emissions to be material to our business. These include accommodation, data centre electricity usage, paper use, freight of cash and working from home.

22. Total gross operational emissions comprises total gross Mandatory operational emissions plus Scope 3 Additional emissions.

23. EY20 – 22 emissions restated due to material change in emissions from updated emission factors published in MfE’s [Measuring Emissions guide 2023](#).

24. Ministry of Business, Innovation & Employment (August 2023) Energy in New Zealand 23 Energy in New Zealand 2023 ([mbie.govt.nz](#)).

25. Reasonable assurance for all emissions except for freight of cash which received limited assurance.

Understanding our financed emissions.

Financed emissions are indirect emissions that are linked to our lending activities. For us, these are the GHG emissions of our lending customers, including the emissions associated with the activities of institutional, commercial and small to medium business customers along with the emissions associated with the household energy use of mortgage customers. As a financial institution, financed emissions are our greatest source of emissions and therefore where we have the biggest potential to reduce our climate impact. Tracking our financed emissions is essential as it informs our approach to supporting our customers in reducing their emissions and our exposure over time.

We have adopted the principles and methodology set out in the Partnership for Carbon Accounting Financials (PCAF)'s Global GHG Accounting and Reporting Standard²⁶ where possible, integrating internal and external data sources and disclosing our resulting data quality scores. Our approach was to estimate our Scope 1 and 2 absolute financed emissions, and our emissions intensity associated with our lending to the following sectors:

- residential mortgages
- commercial real estate
- business, commercial and institutional.

We estimate our Scope 1 and 2 financed emissions to be 5,833,229 tCO₂e for 2023. This covers 99.65% of our residential mortgages portfolio and 95.72% of our business lending portfolio (which includes commercial real estate). We also estimate our Scope 3 emissions for a subset of our portfolio that we consider most relevant and where reliable

data is available: mining including oil and gas extraction (347,356 tCO₂e) and manufacturing (242,593 tCO₂e). While our greatest exposure comes from our residential mortgages portfolio, the attributed financed emissions are relatively low at 1.14%. Whereas our agriculture, forestry and fishing sector continue to make up the largest portion of our financed emissions at 61%. Therefore, we have set a specific Net-Zero Banking Alliance target for our agriculture sector. Find out more on page 18. A summary of our financed emissions is detailed in the table to the right.

In 2023, we built our own in-house estimation model and improved our data sources, for example, using actual emissions data from our agriculture customers' emissions where available, to increase the accuracy of our financed emissions estimation. We are unable to disclose comparatives for our financed emissions due to the difference of methodology and data sources. We will provide comparative information in future years. For details on our financed emissions methodology, please see pages 35 to 39. We will continue to use improved data sources internally and externally as they become available. Additionally, as Aotearoa's climate data becomes readily available, our financed emissions estimate will become more accurate.

Estimating our financed emissions helps to guide our conversations with customers on their transition planning as well as meeting our commitment to the Net-Zero Banking Alliance. You can read more about our commitment to the Net-Zero Banking Alliance on page 17.

Table 7: Financed emissions for Westpac NZ 2023.

Asset class	Attributed Scope 1 and 2 emissions (tCO ₂ e)	% Total WNZL attributed Scope 1 and 2 emissions	Emissions intensity for Scope 1 and 2 emissions (tCO ₂ e/\$m lent)	PCAF Data Quality Score
1. Residential mortgages	66,363	1.14	1.01	4.10
2. Commercial real estate	42,662	0.73	4.92	4.54
3. Business lending²⁷	5,724,205	98.13	163.85	4.15
3.A. Agriculture, Forestry and Fishing	3,537,126	60.64	354.46	3.67
3.B. Mining	127,317	2.18	522.78	2.48
3.C. Manufacturing	1,200,469	20.58	341.58	3.88
3.D. Electricity, Gas, Water and Waste Services	506,423	8.68	192.59	3.97
3.E. Construction	20,116	0.34	23.36	4.38
3.F. Wholesale trade	10,828	0.19	7.08	4.34
3.G. Retail trade	8,278	0.14	6.88	4.49
3.H. Accommodation and Food services	3,634	0.06	8.47	4.45
3.I. Transport, Postal and Warehousing	101,404	1.74	87.41	4.18
3.J. Information Media and Telecommunications	3,759	0.06	3.96	4.20
3.K. Financial and Insurance services	17,913	0.31	2.56	4.78
3.L. Rental, Hiring and Real Estate services	4,732	0.08	7.63	3.89
3.M. Professional, Scientific and Technical services	6,508	0.11	9.67	4.46
3.N. Administrative and Support services	1,448	0.02	7.67	4.36
3.O. Public Administration and Safety	1,297	0.02	277.11	4.44
3.P. Education and Training	5,010	0.09	11.06	4.25
3.Q. Health Care and Social Assistance	10,056	0.17	6.67	4.28
3.R. Arts and Recreation services	1,293	0.02	3.26	4.26
3.S. Other services ²⁸	2,095	0.04	9.58	4.46
3.Z. Unknown	154,500	2.65	111.27	4.55
Total attributed Scope 1 and 2 emissions	5,833,229			

26. PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.

27. The Business lending asset class is further categorised following the 2006 ANZSICS codes.

28. Other services cover Repair and Maintenance, Personal and Other Services and Private Households Employing Staff.

Supporting our customers in the transition to a low emissions future

We recognise the key role of the finance sector in supporting New Zealanders’ decarbonisation journey, and we believe our customers’ transition risks are also our transition risks. In 2023 we have developed and enhanced our lending products to new and existing customers, as well as making some key industry commitments.

Net-Zero Banking Alliance.

In July 2022, Westpac Group joined the United Nations-convened Net-Zero Banking Alliance, reinforcing our Group commitment to the global transition to a low emissions economy by 2050.

As a signatory to the Net-Zero Banking Alliance, Westpac Group has committed to:

- Aligning Westpac Group’s lending portfolio to net-zero by 2050
- Setting 2030 emissions reduction targets for certain material, high emitting sectors, aligned to limiting global warming to 1.5°C above pre-industrial levels by 2100.

As a subsidiary of the wider banking group, Westpac NZ’s Board has endorsed this approach and commitment. Managing Net-Zero Banking Alliance targets across the entire Group portfolio allows a stronger focus on implementation, in particular through providing sustainable finance and direct engagement with emissions-intensive customers.

Our Net-Zero Banking Alliance commitment is a catalyst for actions that support and promote an orderly transition, such as:

- Engaging with our customers, industry, government and wider civil society
- Educating our staff and customers on climate change, net-zero and our role in supporting the transition
- Incentivising debt finance which supports the transition to a low emissions economy, for example through our sustainable finance products and project finance.

Net-Zero Banking Alliance targets and methodology.

Under the Net-Zero Banking Alliance, Westpac Group has set targets for specific sectors and Westpac NZ contributes towards these, ensuring they are relevant to our customers in New Zealand.

Progress against Westpac Group targets are reported based on portfolio performance at a Westpac Group level, it does not represent Westpac NZ progress, nor individual customers.

These Net-Zero Banking Alliance targets are subject to a range of assumptions, dependencies and limitations, which are outlined in the [Westpac Group Net-Zero Methodology](#) document. These include, but are not limited to:

- Use of suitable sector-specific reference pathways developed by organisations such as the International Energy Agency (IEA) and the Science-based Targets initiative (SBTi), which may require some adaptation to reflect local conditions³¹

- Baseline financed emissions data for Net-Zero Banking Alliance purposes is calculated using estimates and simplification in the absence of comprehensive, customer-specific emissions data. This includes sector-level emissions intensity factors and production data
- There remains uncertainty over the availability and scalability of emissions reduction technologies such as Sustainable Aviation Fuel or substitute cementitious materials
- In some sectors the rate of decarbonisation could be affected by government policy
- Some targets may have dependencies on decarbonisation of adjacent sectors; for example, an increase in renewable electricity generation to support decarbonisation of Commercial Real Estate
- Meeting targets will in certain cases rely on customers’ ability to adopt new management practices.

Table 8: Westpac Group Net-Zero Banking Alliance 2030 sector lending targets.

Sector	2030 Target	Baseline	Westpac NZ Sector Approach
Oil & Gas	23% reduction in Scope 1, 2 and 3 absolute financed emissions	2021	We are working directly with a small number of customers in these sectors to assess their transition strategies, including disclosures, targets, plans and actions. ²⁹
Aviation	76.4 gCO ₂ e per passenger kms for Scope 1	2021	
Cement	0.57 tCO ₂ e per tonne of cement for Scope 1 and 2	2021	
Commercial Real Estate (Offices)	59% reduction in Scope 1 and 2 emissions intensity (kgCO ₂ e/m ² net lettable area)	2022	We encourage energy efficiency improvements through sustainable finance and continue to support the decarbonisation of New Zealand’s electricity grid through lending to renewable power generation projects.
Power Generation	0.10 tCO ₂ e/MWh for Scope 1 & 2	N/A	We are working directly with the remaining New Zealand power generators using fossil fuel.
Steel Production	1.42 tonne CO ₂ e/tonne of steel for Scope 1 and 2. ³⁰	2021	We currently have no lending to this sector.
Thermal Coal Mining	Westpac NZ has zero lending in this sector	N/A	We ceased lending to this sector in 2019.

29. To protect our customers’ confidentiality we will not be disclosing our baseline and progress.

30. Steel represents a very small percentage of Westpac Group’s lending portfolio and a small number of customers. To protect our customers’ confidentiality, we have adopted a ‘traffic light’ system to disclose our performance against the target. Unlike other targets, we will not be disclosing our baseline or progress.

31. For example, it was deemed appropriate to include emissions from our exposures to sheep farming into our target for sheep & beef, despite SBTi FLAG not having a sheep-specific pathway for Oceania. We have excluded emissions associated with Land Use Change (LUC) given historic LUC within the last 20 years is limited and future land use conversions from forests to farmland are highly unlikely under current legislative settings. We also excluded on-farm Carbon Removals from the scope of our target, which is currently not consistently defined or reported.

Agricultural sector Net-Zero Banking Alliance targets.

Agriculture is the most material sector for Westpac NZ in terms of financed emissions and is a key area of focus. Our lending to the agricultural sector accounts for 61% of our financed emissions. Given this, we have developed New Zealand-specific 2030 sector targets for Dairy and Sheep & Beef lending, using the Science-Based Target initiative (SBTi) Forest, Land and Agriculture (FLAG) Oceania Dairy Commodity Land Management pathway:



Dairy:

10% reduction in Scope 1 land management emissions intensity (tCO₂e/t FPCM) by 2030.

Sheep & Beef:

9% reduction in Scope 1 land management emissions intensity (tCO₂e/t Fresh Weight) by 2030.

The baseline year for the targets is 2021. We calculated the baseline using regional emissions data provided by a third party, calculated regional emissions intensities and weighted those by their contribution to our lending portfolio. The resulting baseline emissions intensities are 0.83 tCO₂e/t FPCM for Dairy and 19.4 tCO₂e/t Fresh Weight for Sheep & Beef.

Under our new Net-Zero Banking Alliance Agricultural targets for Dairy and Sheep & Beef we also committed to no deforestation, which provides for no more conversion of natural forest to agricultural land use within farm systems from 31 December 2025 for customers in scope of our agricultural targets.

Our commitment to no deforestation is also reflected in the [Westpac Group Natural Capital Position Statement](#).

In addition to some of the limitations outlined above, our Net-Zero agriculture targets are dependent on a range of factors, including:

- Obtaining farm-level data which is a key enabler of our implementation roadmap and a focus in 2024
- Emissions reductions largely depend on efficiency and productivity improvements in the agricultural farming system
- Seasonal variation and technology uptake may affect farm practices meaning the path to our target is unlikely to be linear.

To support Westpac NZ's agricultural sector Net-Zero Banking Alliance target:

- We have started collecting emissions data from our agribusiness customers and will continue to integrate the capture and reporting of this data
- We will continue to focus on training our customer-facing bankers to ensure they have the skills required to engage in conversations with customers to understand their emissions data, and discuss emission reduction opportunities and best farming practices

- We will continue to encourage further uptake of the Westpac Sustainable Farm Loan which incentivises best farming practices, including measuring emissions and having an emissions reduction plan in place.

Further details on Westpac Group's Net-Zero Banking Alliance targets and methodology can be found [here](#).

ESG Advisory team.

In 2023, Westpac NZ established an ESG Advisory team, which sits within our Institutional and Business Banking business unit. The ESG Advisory team has an important role in the banking market in Aotearoa as it is a customer facing, non-transactional team, dedicated to supporting our customers in the transition to a low carbon, and climate resilient economy.

The ESG Advisory team:

- Leads the implementation of Westpac Group's Net-Zero Banking Alliance commitment and targets in New Zealand
- Reviews transition plans for emissions-intensive customers (detailed below)
- Provides input into risk assessments under Westpac NZ's ESG Credit Policy (see the Risk Management section on page 24)
- Provides training and resources on climate change, the transition to a low-emissions economy and our role in that transition to our customers and employees
- Supports key customers on their specific ESG risks and opportunities
- Engages directly with high-emitting customers on their transition plans.

Assessing customer transition plans.

We recognise that meaningful engagement with our customers on their transition plans is one of the key levers we can pull to help them reduce emissions and become more resilient in a changing world. Engagement will help us understand where customers are on their transition journey and how we can further support them.

Reviewing and assessing customer transition plans is also vital for us to manage and achieve our Net-Zero Banking Alliance emissions reduction targets.

Guidance on transition planning is rapidly evolving. Together with Westpac Group, we have piloted a framework for assessing our customers' transition plans, taking into account global climate frameworks like Climate Action 100+ and the Glasgow Financial Alliance for Net-Zero (GFANZ) transition plan initiative. We expect to formalise this approach in the coming financial year, conforming to best practice internationally and New Zealand's regulatory landscape. We will continue to refine this framework and use it to assess individual companies and to guide our approach to future support. We expect that our approach to engaging customers will focus first on our highest-emitting customers, and customers who are subject to Net-Zero Banking Alliance targets.

Sharing insights with customers.

In November 2022, we partnered with Lincoln University to develop and release the [Westpac NZ Agribusiness Climate Change report](#), which examines the physical and transition risks and opportunities that climate change presents to



Olaf Adam, Head of ESG Advisory, Westpac NZ

the agribusiness sector in Aotearoa. The report outlined viable and practical options to improve farm resilience and reduce on-farm emissions.

We also held two Westpac Smarts **webinars** for customers, focussed on the low emissions transition, which were viewed by over 1,000 customers and staff:

- Agricultural emissions – can Aotearoa rise to the challenge?
- Embracing net-zero – navigating the low carbon transition.

Sustainable Finance

Sustainable Farm Loan.

In June 2023, we launched the Westpac Sustainable Farm Loan,³² the first loan in Aotearoa to accelerate sustainability across all aspects of farming with a holistic all-of-farm approach.

Climate change is a big challenge for our agriculture customers, the effects are visible to our customers and communities, and agriculture also has a significant impact on Aotearoa’s emission profile, making up around half of Aotearoa’s total emissions.

The Westpac Sustainable Farm loan was designed to support customers to build resilience to climate change impacts, reduce GHG emissions, and help deliver more sustainable farming, both economically and environmentally. Farmers can play a key role in driving sustainability. Their efforts, with our support, will help future-proof



their farms and serve to protect Aotearoa’s highly valued environment.

To ensure the offering was both beneficial and practical for our customers to implement we took a customer-led approach, working in partnership with farmers and AsureQuality to develop the Westpac Sustainable Farm standard; a framework aligned to the industry-agreed Sustainable Agriculture Finance Initiative (SAFI) guidance. The Westpac Sustainable Farm Standard was also designed to complement farm assurance programmes that many of our customers are already using on-farm, to reduce duplication and reporting commitments for our customers.

Our Standard defines requirements that farmers need to meet, with a view to improving sustainability outcomes in areas like water management, application of fertiliser, waste management, climate change mitigation, adapting to climate change and better outcomes for biodiversity and soil health.

Our on-farm sustainability standard addresses climate change through emissions reduction and climate change adaptation.

With the Westpac Sustainable Farm Loan, we support customers from day one with a competitive discount across all term debt associated with the farm. Customers then have a 2-year transition period to meet the Westpac Sustainable Farm Standard (verified by AsureQuality). As of 30 September 2023, we’ve provided over \$1b in sustainable farm lending through this programme.

32. Lending criteria, terms and conditions apply. Fees and charges may also apply. See westpac.co.nz/agribusiness/sustainable-farm-loan/ for further details.

CASE STUDY

Sustainability loan helps Owl Farm fly high.

Owl Farm, a demonstration farm in Waikato and long-time Westpac customer, worked with us to pilot our Sustainable Farm Loan.

“Westpac recognised the work we were doing around sustainability and were able to partner with us to provide a lending product that aligned really well with our thinking and also added value back to us. By managing our environmental footprint we are managing the business risk that goes with it and we get a discount on our borrowing because of that,” says Owl Farm demonstration manager Jo Sheridan.

“We have a strong focus on two main environmental objectives – managing potential nitrate loss out of our farm system and managing GHG emissions. When we use our resources most efficiently, we create less wastage and therefore less potential impact on the environment,” Ms Sheridan says.

“As well as trying to reduce our impact on the environment, we also need to understand the impact the changing climate is creating on our business in terms of risk. We needed to have a plan in place to deal with what some of that risk might be.”

“We know that future growth in any industry is only going to be in the direction where it’s environmentally sustainable so we need a partner who sees the same future that we do and is willing to invest in the same practices, technology, and infrastructure that will allow us to head in that direction. Our partnership with Westpac has allowed us to invest when the times are good on future-proofing our farm business.”



Sustainable Business Loan.

In June 2023, we launched the Westpac Sustainable Business Loan,³³ a proceeds-based loan to support Aotearoa businesses to progress their sustainability journey through buying, building, or developing sustainable assets and activities.

With the Sustainable Business Loan, customers can invest in a wide range of assets or activities including:

- GHG emissions reduction assets and activities such as renewable energy and energy efficiency
- social activities such as education and affordable healthcare
- environmental assets and activities, such as green buildings and native planting

- assets and activities that help our customers and communities adapt to the impacts of climate change.

The Sustainable Business loan provides customers with discounted lending from day one, a transition period to build or make new assets sustainable, as well as a look-back period for some existing assets.

Our aim with these loans is to support our customers to plan and build more resilient businesses that can face into the challenges of adapting to the changing climate and support them in reducing their emissions and transitioning to a lower carbon business model.

Sustainable Finance.

To support Aotearoa to achieve net-zero emissions and broader sustainability goals, Westpac NZ set an ambitious target in 2020 to enable \$10b in sustainable finance by 2025.³⁴

In 2023, in partnership with our customers, we proudly achieved this target, with a cumulative total of \$11.7b enabled in sustainable finance.

The \$10b sustainable finance target covers:

- Sustainable Loans; including Green Loans (which incorporate Climate Change Solutions,³⁵ Social Loans and Sustainability-Linked Loans³⁶ (SLLs)). Sustainable Loans also includes Loans executed under Westpac NZ’s Sustainable Business Loan³⁷ and Sustainable Farm Loan³⁸
- Sustainable Bonds; including Green Bonds, Sustainability Bonds, Sustainability Linked Bonds and Sustainable Financing Bonds.

We reviewed the above Sustainable Loans and Sustainable Bonds against eligibility criteria to assess alignment with the internationally-agreed sustainable finance principles published by the International Capital Markets Association and the Asia-Pacific Loan Markets Association and – where applicable – the Climate Bonds Initiative and the Sustainable Agriculture Finance Initiative.

Table 9: Westpac NZ Sustainable finance targets and cumulative progress.

Sustainable Finance Type	2025 Target	Overall Progress Towards our Target (at 30 September 2023)
Sustainable Bonds		
Facilitation of Sustainable Bonds - (for customers and Westpac NZ treasury) by Westpac Banking Corporation (acting through its New Zealand Branch).	\$4.0b	\$4.4b
Total Sustainable Bonds	\$4.0b	\$4.4b
Sustainable Lending		
Sustainability-Linked Loans	NR	\$1.5b
Climate Change Solutions ³⁹	\$5.0b	\$4.9b
Healthy, Affordable and Social Housing Lending ⁴⁰	\$0.7b	\$0.8b
Other Social and Environmental Lending ⁴¹	-	\$0.2b
Total Sustainable Lending	\$6.0b	\$7.4b
TOTAL	\$10.0b	\$11.7b

In 2024 we will develop new sustainable finance targets that continue to demonstrate our commitment to helping our customers achieve climate and broader sustainability goals in their homes, their businesses, communities and Aotearoa.

33. Lending criteria, terms and conditions apply. Fees and charges may also apply. See westpac.co.nz/business/products-services/loans-overdrafts/sustainable-business-loan/ for further details.

34. This is a cumulative target which comprises (a) \$5b for lending to Climate Change Solutions, \$700m for lending for healthy, affordable and social housing, and other environmental, social and sustainability-linked lending (building on Westpac NZ’s FY20 exposure), and (b) facilitation of sustainable bonds (for customers and Westpac NZ treasury) by Westpac Banking Corporation (acting through its New Zealand Branch) from 1 October 2020 to 30 September 2025. All sustainable finance reported is informed by global sustainable finance market standards, principles and guidance that are commonly used to label or categorise loans and bonds as sustainable. The sustainable finance target includes finance for social and non-climate sustainability initiatives which may not reduce climate change risk. Our targets are a total commitment, measuring the cumulative flow of capital to support New Zealand becoming a low emissions economy and – due to different operating environment and market practices – may differ from the definition(s) applied by the wider Westpac Group. Where only a proportion of the activities or assets funded are eligible, Westpac NZ includes the proportion of funding provided that is attributable to the eligible activity or asset. If the lending is a syndicated facility only the Westpac NZ proportion is counted (or apportioned based on number of Joint Lead Managers (JLMs) for a sustainable bond issuance).

35. The total committed exposure to Climate Change Solutions at 30 September 2023 is \$3.09b.

36. Sustainability-Linked Loans incentivise the borrower’s achievement of ambitious, predetermined sustainability objectives. The borrowing costs under the facility are adjusted up or down depending on the borrower’s performance against predetermined sustainability targets. Sustainability-Linked Loans must align with the Sustainability-Linked Loan Principles.

37. This includes loans approved under Westpac NZ’s Sustainable Business Loan. Eligibility criteria aligns to the Green Loan Principles and Social Loan Principles.

38. This includes loans approved under Westpac NZ’s Sustainable Farm Loan. Westpac Sustainable Farm Standard is designed as an all-of-farm sustainability criteria designed byASUREQuality exclusively for Westpac and is equivalent to the Sustainable Agriculture Finance Initiative (SAFI) Phase One Guidance for Livestock.

39. This includes lending under Westpac NZ’s Sustainable Farm Loan and Westpac NZ’s Sustainable Business Loan which meets the Climate Change Solutions lending criteria.

40. This includes lending under Westpac NZ’s Sustainable Business Loan which meets the healthy, affordable and social housing criteria. In mid-2023, the Westpac Warm up loan was renamed to the Westpac Greater Choices home loan and extended to include lending that is aligned specifically to climate change solutions (e.g. EV loans), not solely healthy homes. Therefore, our cumulative reporting for 2023 does not include new lending since 2022. From 2024, Westpac intends to include Greater Choices home loan lending reporting as part of the overall sustainability lending target.

41. This includes lending under Westpac NZ’s Sustainable Business Loan that does not meet the criteria for Climate Change Solutions or Healthy, Affordable and Social Housing Lending e.g. for water quality improvements.





Sustainable finance highlights.

Sustainable finance is a significant lever to incentivise decarbonisation and accelerate investment in solutions that help to mitigate and adapt to climate change, improve our environment, and or build stronger communities.

During 2023 we provided dedicated sustainable finance support to corporate, agribusiness and institutional customers. Our expertise and insights enabled them to align their financing to sustainability outcomes in their businesses:

- ✓ Sole Sustainability Coordinator for the second largest Sustainability-Linked Loan (SLL) in Aotearoa during the year ended 30 September 2023,⁴² for Contact Energy's \$0.9b SLL.
- ✓ Joint Sustainability Coordinator for the A\$1.6b Green Loan which will fund QIC's 50% interest in Vector Metering in addition to partially funding the business' ongoing smart metering expansion across New Zealand and Australia.
- ✓ Joint Lead Manager supporting New Zealand Debt Management to issue its \$3.0b inaugural sovereign Green Bond, the largest domestic Green Bond issuance in Aotearoa to date.⁴³
- ✓ Arranger, Sole Sustainability Coordinator and Joint Lead Manager enabling New Zealand Local Government Funding Agency (LGFA) to issue its inaugural \$1.1b Sustainable Financing Bond which was the first sustainable bond of its kind.⁴⁴

⁴² Based on publicly disclosed or known sustainable finance transactions at 30 September 2023.

⁴³ Based on publicly disclosed or known sustainable finance transactions from domestic issuers at 30 September 2023.

⁴⁴ Based on publicly disclosed sustainable finance transactions from domestic issuers at 30 September 2023.

CASE STUDY

Sustainability-Linked Loan helps Queenstown Airport take-off.

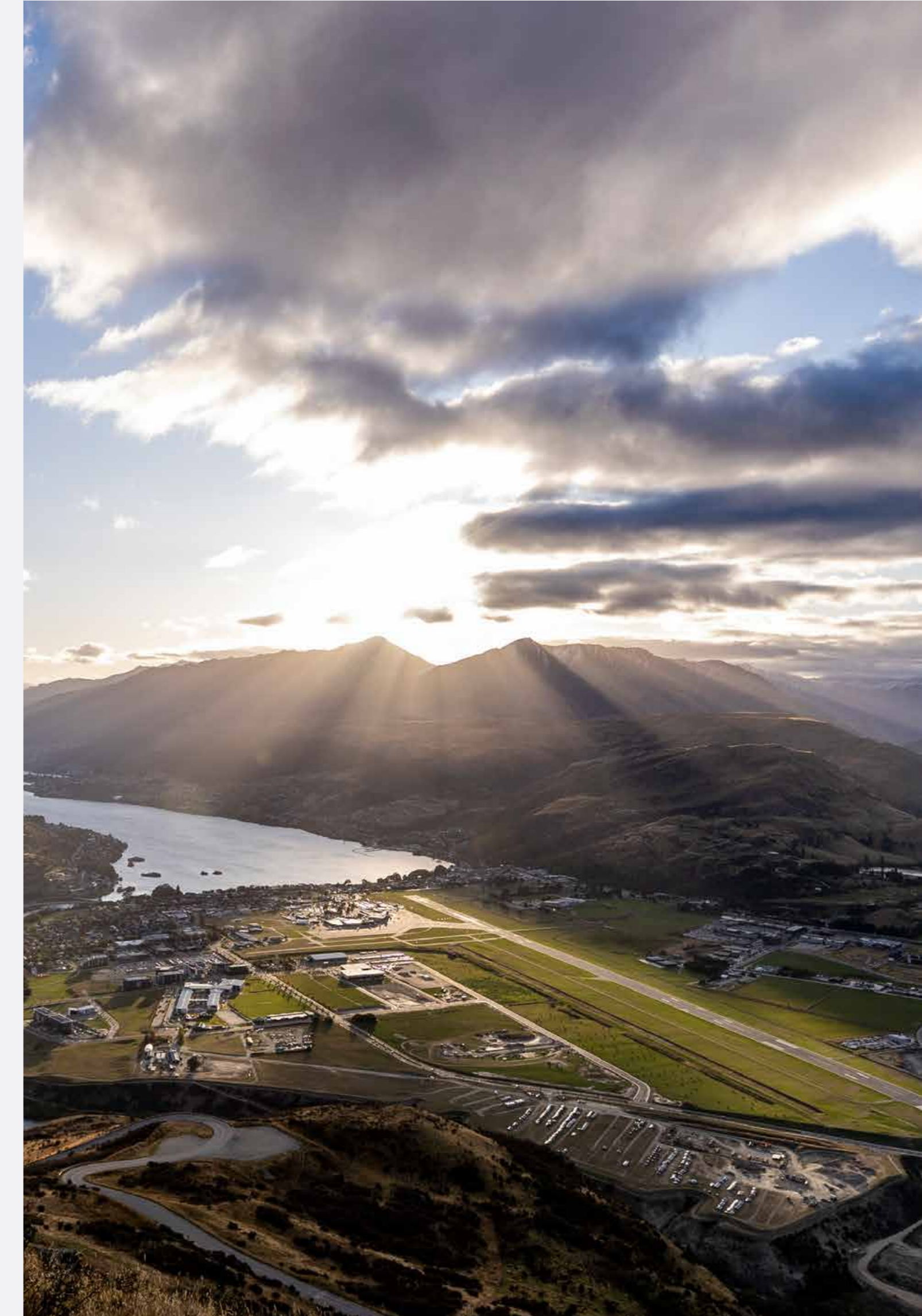
In July, Queenstown Airport converted \$100m of existing lending into its first SLLs, which include ambitious sustainability targets to address some of the environmental challenges facing airports globally. Westpac NZ acted as Joint Sustainability Coordinator on the transaction.

Under the SLL structure, the loan pricing is tied to achieving ambitious sustainability goals, including:

- Achieving Level 4 Airport Carbon Accreditation, the leading global certification for airport carbon management
- Reducing its Scope 1 and 2 GHG emissions
- Installing infrastructure that supports reductions in its Scope 3 GHG emissions, including enabling electrification of parked aircraft, ground service equipment and charging infrastructure for electric vehicles
- Reducing specific waste streams sent to landfill across the terminal precinct.

“We have set some clear targets in our sustainability strategy. The decarbonisation of on-the-ground operations and the terminal is an immediate priority, and we have made some good progress to date. We’ve worked with our banking partners to set ambitious targets to hold us to account as we continue to implement our sustainability strategy and decarbonisation roadmap,” says Queenstown Airport Chief Financial Officer Andrew Williamson.

“We really enjoy working with Kiwi businesses to help them take proactive steps towards building a greener, more resilient economy. The airport sector has unique barriers to reducing emissions, but the ambitious targets selected by Queenstown Airport demonstrate a strong commitment to meeting the challenge,” says Westpac NZ Head of Sustainable Finance Joanna Silver.



Expansion and rebrand of our Greater Choices Home Loan.

In July 2023, we launched our Westpac Greater Choices home loan,⁴⁵ expanding on the existing Westpac Warm Up home loan.

Customers can now borrow up to \$50,000 interest-free for five years to make their homes and transport more energy efficient while potentially reducing energy costs. Electric and hybrid vehicles, hot water heat pumps, and rainwater tanks can now be funded through the loan, alongside the existing options of heat pumps, insulation, double glazing, ventilation, wood burners and solar panels.



As of 30 September 2023, Westpac NZ had provided \$110m over 7,000 Greater Choices home loans. Westpac NZ has set a new goal of \$200m in lending through the programme.

Helping electrify Kiwis' vehicles.

The Westpac NZ EV loan⁴⁶ allows applicants to borrow up to \$50,000 at a low interest rate for a new or used electric/hybrid car, e-moped or e-bike. The EV loan was established to help Kiwis reduce their carbon emissions and running costs by purchasing more environmentally friendly vehicles. In the year to 30 September 2023, we provided \$13m of funding to purchase 500 EVs.

Using project financing to support Aotearoa's transition.

We're using our project financing expertise to support Aotearoa's transition to a low emission economy.

45. Lending criteria, terms and conditions apply. Fees and charges may also apply. See [westpac.co.nz/home-loans-mortgages/options/greater-choices-home-loan/](https://www.westpac.co.nz/home-loans-mortgages/options/greater-choices-home-loan/) for further details.

46. Lending criteria, terms and conditions apply. The interest rate may change in the future. See <https://www.westpac.co.nz/personal-loans/ev-loan/> for further details

CASE STUDY

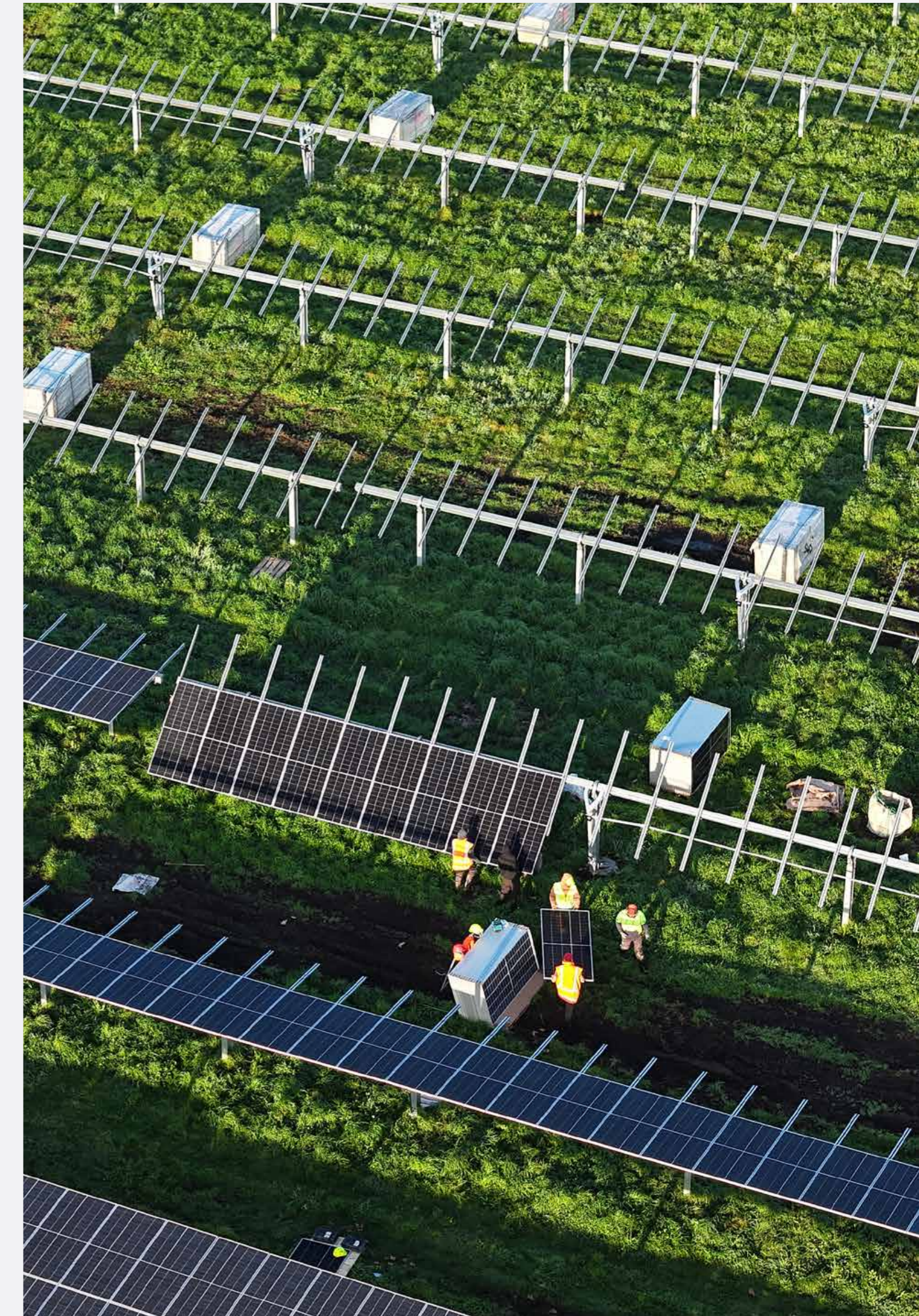
Helping Lodestone Energy power up.

Solar energy generation company Lodestone Energy Limited is currently completing a \$300m programme for its first five utility scale solar plants located in the Far North, Coromandel and Bay of Plenty.

Once all five installations are complete, they will collectively generate 265 GWh per year – enough to power approximately 50,000 homes annually. The plants will help diversify the range of power sources feeding into our national grid, marking another step in the country's transition away from carbon.

Lodestone and Westpac NZ have been working closely together since the announcement of indicative financing terms in 2021. Westpac is the sole senior debt provider for Lodestone's first five solar farms and the initiative aligns with our commitment towards powering a sustainable New Zealand with green financing.

“Westpac brought forward an innovative approach that allows for the progressive implementation of each site and, when completed, will be the start of a geographically diversified portfolio of renewable energy. We're pleased to be bringing additional daytime electricity to high-cost locations of the grid, and expect this will provide a great combination of lower cost power and economic activity to these areas,” says Lodestone Energy Managing Director Gary Holden.



Extreme weather in 2023.

This year saw communities hit with several extreme weather events, particularly during the Auckland Anniversary Weekend floods and Cyclone Gabrielle. These events brought the loss of fifteen lives, and the displacement of thousands of people from their homes. The impact was also felt economically with Treasury estimating the cost of physical damage to households, businesses and infrastructure at \$9-14.5b.⁴⁷

Communities and customers impacted by the devastation of these events faced damage to buildings and infrastructure, and impacted livelihoods. We provided support to our affected customers and communities through a range of actions including:

- \$3m in non-repayable grants to eligible small businesses and agribusiness customers
- \$875,000 in donations to Mayoral Relief Funds, community partners, rural support groups and local iwi
- Support packages for our business customers, including:
 - Suspension of principal payments for up to three months available on business loans
 - Deferred payment on business credit cards for up to three months
 - A temporary overdraft facility for business customers
- Support packages for our personal customers, including:
 - Temporary interest-free overdrafts for personal customers
 - Providing access to term deposit funds for individuals suffering hardship
 - Suspension of home loan payments for up to three months for individuals ahead on their repayments and who have a sufficient undrawn balance
 - Hardship support for customers facing significant financial challenges
- Westpac NZ mental health ambassador Sir John Kirwan speaking to locals at 18 venues and events from Northland to Central Hawke’s Bay.



Sir John Kirwan at Te Tai Whenua o Heretaunga, an iwi social and health services provider in Hastings

Engagement actions

Engaging with our customers, stakeholders, government and wider society on climate-related matters is one of the ways that we can use our voice to advocate for climate action and support our customers.

We give effect to our relationships with Māori and Iwi, and understand the whenua, the awa and the moana are intrinsically linked to their core being. Managing climate change is an indicator of the holistic approach of looking after Te Ao.

Climate-related consultations.

During 2023, Westpac NZ continued to actively participate in climate change consultation processes, including:

- **Pricing of Agricultural Emissions (November 2022)**
- **The Review of the New Zealand Emissions Trading Scheme (August 2023)**
- Through the New Zealand Banking Association:
 - various submissions relating to the climate-related disclosure regime under Part 7A of the Financial Markets Conduct Act 2013
 - the Reserve Bank of New Zealand’s draft guidance for managing climate-related risk (June 2023)
 - **the Second Emissions Reduction Plan (July 2023).**
- Through the Financial Services Council NZ, the review of the Commerce Commission’s Collaboration and Sustainability Guidelines.

Engagement with stakeholders.

Westpac NZ is an active member of the Sustainable Business Network, the Sustainable Business Council and is a founding member of the Climate Leaders Coalition and a signatory to the updated 2022 Statement of Ambition.

We’re also a founding member of the Aotearoa Circle, a voluntary initiative bringing together leaders from the public and private sectors to investigate the state of our natural resources, and to commit to priority actions that will halt and reverse their decline.

We remain an active member of Toitū Tahua, the Centre for Sustainable Finance, which seeks to implement the Sustainable Finance Forum’s 2030 roadmap for a sustainable financial system.

We’re foundation sponsors, active presenters, and participants in the annual Climate Change & Business Conference, which brings together business, government and society to share innovative thinking and new ideas about how we can collectively accelerate emissions reductions, while building our resilience to the impacts of a warming world. The September 2023 Climate Change & Business Conference had 625 in-person attendees and around 120 online, the largest in the Conference’s 15-year history.

We continue to partner with KangaNews as headline sponsor and host of the KangaNews New Zealand Sustainable Finance Summit, bringing together business and market leaders to discuss the future economy and how the capital market can support environmental transition and social progress.



Kate Gunthorp, Director ESG Advisory, Westpac NZ

Engagement with employees.

Westpac NZ’s commitment to climate action means embedding sustainability in everything we do. To drive this important work in 2023 we invested in the Sustainability Academy, an externally-developed training programme developed by EY in partnership with Toitū Tahua. The Sustainability Academy was designed to raise awareness by helping create a common language to incorporate sustainability into our businesses, communities and daily lives. In August, we piloted the Sustainability Academy content with 47 employees and following the successful pilot we aim to make this available to all employees in early 2024.

47. The Treasury (April 2023) Impacts from the North Island weather events <https://www.treasury.govt.nz/sites/default/files/2023-04/impacts-from-the-north-island-weather-events.pdf>

RISK MANAGEMENT



Process for identifying risk

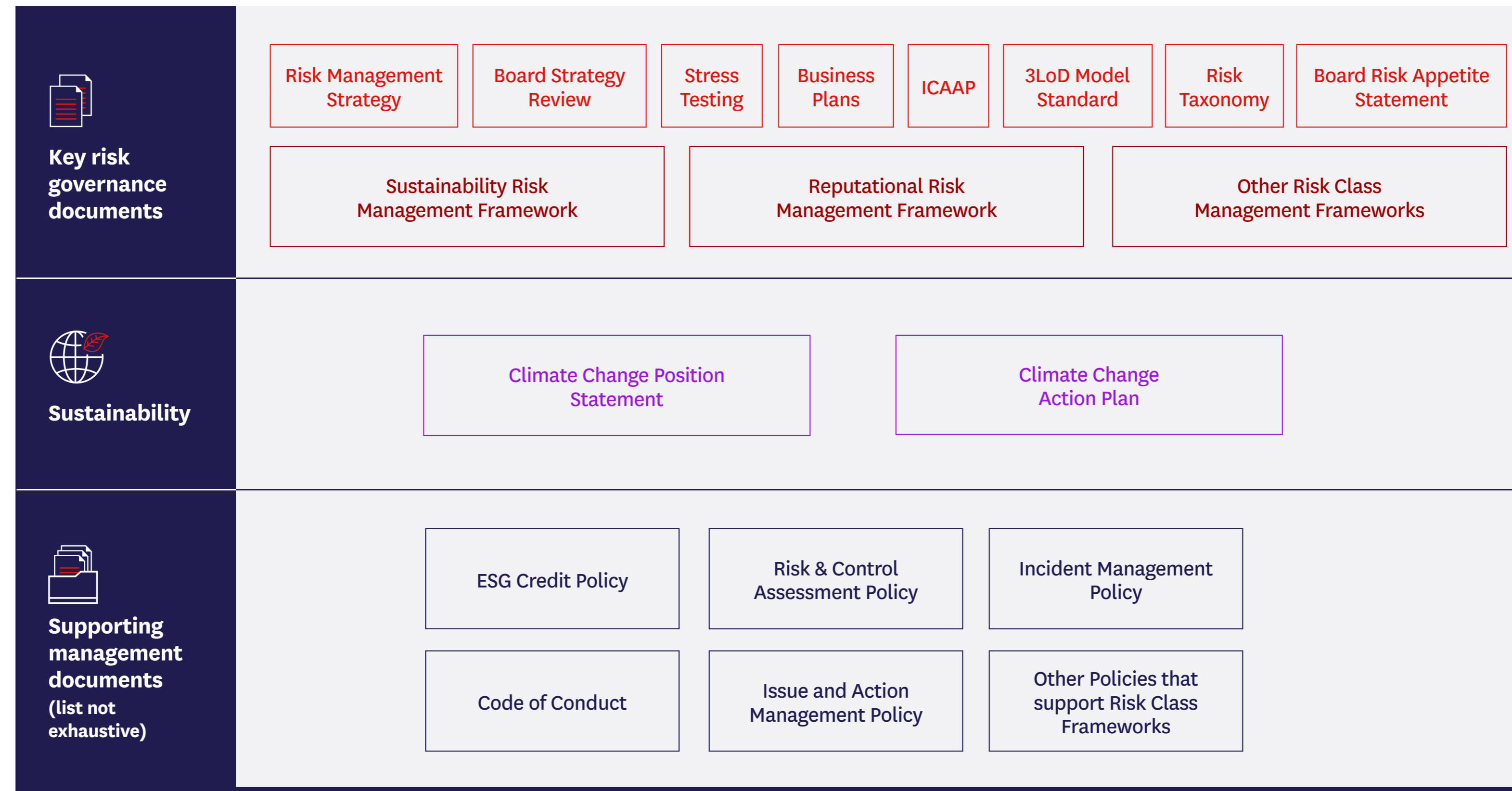
Westpac NZ’s Risk Management Framework (RMF) describes our approach for managing the material risks we face. Key elements of the RMF include our business strategy; our risk appetite; our approach to controlling, monitoring and managing material risks; and how we respond to possible scenarios that could impact the business.

The Risk Management Strategy (RMS) describes our strategy for managing risk and our approach to managing the key components of the RMF. The RMS explains our material risks and how we manage them, summarises our key risk management documents and describes our governance and risk committee structures. The RMS forms part of a suite of risk management documents that supports the RMF. Defined terms and risk management principles contained in the RMF also apply to the RMS.

The Westpac NZ Sustainability Risk Management Framework sets out our overall approach to climate risk; defining roles and responsibilities in line with our Three Lines of Defence standard. This framework is reviewed annually by the framework owner, approved by Board Risk and Compliance Committee every two years, and continually evolves as our needs and expectations evolve.

The figure on the right shows the risk management document hierarchy that is relevant to climate change risk:

Risk Management Framework.



The Westpac NZ Risk Taxonomy provides a single comprehensive view of the existing risks faced by Westpac NZ aligned to the Westpac Group Risk Taxonomy. This provides a common language for describing material risks and sub-categories of risk. Within our Risk Taxonomy, climate change is recognised as a financial risk under the credit risk class and a non-financial risk under the reputation and sustainability risk class.

Managing risk is central to our business. We recognise that climate change risk intersects with traditional banking risk categories such as credit risk, operational risk, reputation risk, and compliance risk.

There are two main sources of financial risks arising from climate change, physical risks and transition risks:

- Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g. cyclones, droughts, floods, and fires). They can also relate to longer-term (chronic) shifts in precipitation and temperature, and increased variability in weather patterns or other long-term changes such as sea-level rise
- Transition risks are risks associated with the transition to a lower-emissions global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations.

Westpac NZ’s Risk Appetite Statement (RAS) documents the overarching risk appetite settings for our organisation. It includes two climate-related measures and is approved by the Board annually. We are also actively working on obtaining better quality data to provide a deeper understanding of the risks and the impacts on our customers.

Below is a summary of how climate-related risks may materialise across the business:



Capital Adequacy Risk.

Westpac NZ’s capital buffer is insufficient to cover elevated credit losses and costs as the impacts of physical and transition risks of climate change increase.



Credit Risk.

Westpac NZ incur elevated credit losses incurred from exposure to industries and customers significantly impacted by physical and transition risks, including lower capacity to service debt if the costs or losses customers are exposed to rise significantly.



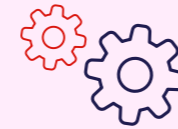
Compliance & Conduct.

Westpac NZ fails to comply with new climate change regulation or policy potentially leading to fines, penalties and reputational damage.



Market Risk.

Increasing physical risks from climate change and changes to policy result in higher market volatility, impacting security and derivative pricing.



Operational Risk.

Westpac NZ’s processes are unable to adapt to increased physical risks, higher frequency of extreme weather events, rapid changes to climate regulation and customer behaviour. This could manifest in inadequate business continuity processes as well as failure to adapt to meeting changing customer needs.



Reputational & Sustainability Risk.

Westpac NZ is unable to effectively or adequately implement and communicate to stakeholders its strategy to manage climate-related risks or it makes decisions that result in action or inaction that is misaligned with stakeholder expectations on climate change, leading to reputational damage. This includes the risk of perceived mis-statement of sustainability claims, commitments and/or targets.



Strategic Risk.

Westpac NZ’s strategy fails to successfully integrate the management of climate change into existing processes, leading to negative outcomes and elevated exposure to transition risk.

As we improve our ability to measure, monitor and mitigate those risks, we will add further measures to our RAS.

Our approach to managing climate change risk continues to evolve as our understanding of the risk improves. We also acknowledge that our exposure to climate change risk extends beyond our core business, impacting our customers and communities.

We conduct non-financial risk assessments annually to determine inherent and residual risks across the Risk Taxonomy, informed by a process that requires business units to identify and assess their risks. Climate change risk is included within these annual assessments. Our Risk Impact Matrix includes environmental and social impacts which strongly support our risk assessments.

We review our operating environment twice a year and maintain an Emerging Risk landscape, which helps us understand how emerging risks like climate change are evolving and determine whether our current responses require adjustment. The ESG Programme was initiated as a strategic response to the increasing risks posed by climate change. The programme ensures that as an organisation we are focusing our attention appropriately.

Our ESG Credit Policy currently applies to Transaction Managed Business Lending (business product exposure over \$1m or other lending that is more complex). It requires business lenders to undertake an assessment of ESG risks, which includes climate-related risks, prior to lending being approved. Identified ESG risks are evaluated for the potential adverse impact (inherent risk) and cross-referenced with the strength of mitigating factors. This helps to determine an overall ESG risk materiality rating (residual risk). Transactions with high residual ESG risk are escalated to senior management for

consideration. In addition to customer-level ESG credit assessments, Westpac NZ also manages climate-related risks at a portfolio-level, for example monitoring exposure concentrations to high-risk sectors.

We’ve also carried out the following climate change specific risk assessments within the last five years:

- We commissioned our **Climate Change Impact Report** in 2018 to develop an understanding of the climate change implications facing Aotearoa’s economy. We published this report to inform our customers and communities, and to increase awareness of the transition and physical risks that climate change poses
- During 2020, we undertook a detailed scenario analysis of our lending portfolio’s exposure to coastal hazards (flooding and erosion) resulting from sea-level rise
- Climate-related scenario analysis as required by our regulators:
 - We carried out the Reserve Bank of New Zealand (RBNZ) Climate Risk Assessment in 2022
 - We contributed towards the Westpac Group Climate Vulnerability Assessment for the Australian Prudential Regulation Authority (APRA) in 2021⁴⁸
 - We are currently carrying out RBNZ’s Climate Stress Test, which will be submitted in October and December 2023.

These assessments enhanced our understanding of our potential exposure to both climate-related physical and transition risks, and we continue to refine our risk management approach based on what we learnt from the assessments.

48. [Climate Vulnerability Assessment – November 2022 | APRA](#)

Management of physical risks

Physical risks refer to changes in the climate, leading to increased frequency of natural hazards, such as flooding, droughts, and storms, rising temperatures and rising sea levels. Based on the risk assessments listed above, the most significant risks to our business are risks to the built environment and productive land. This reflects the parameters of the RBNZ Climate Risk Assessment and Climate Stress Test and is in line with the National Institute of Water and Atmospheric Research (NIWA) research⁴⁹ into expected impacts of climate change on Aotearoa.

We will continue to improve our ESG Credit Policy and supporting processes as we gain greater understanding of our climate-related risks. We plan to increase our proactive engagement with customers, in particular those exposed to climate-related risks. Through our suite of sustainable finance products, we are also incentivising our customers to mitigate the climate-related risks they face. This includes providing customers with information on how to reduce their GHG emissions and improve their climate resilience. In aggregate this may also improve the overall resilience of our portfolio. Further details can be found on page 19 in the Strategy section of this report.

On an operational level, in late 2023, WBC undertook an analysis of the Group's property footprint, including Westpac NZ, against a range of physical risks. This included analysis on the forecast impacts in 2030 and 2050 under several IPCC Representative Concentration Pathways. The analysis will help inform how we manage our property footprint.

Management of transition risks

The pace and scale at which we transition to a low emissions economy can create risks, which are known as transition risks. We expect that this will affect future asset values or impact costs of doing business. For example, the transition could result in premature devaluation and write-downs of assets ('stranded assets').

Our approach to ESG recognises that emissions-intensive sectors will need to align their long-term strategy and capital investment to transition to a low emissions economy, due to increasing regulatory and consumer pressure. This will be a source of transition risk for us, as there are financial risks arising from lending to customers who are unable to make this transition.

As we engage more with high-emitting customers, we will undertake assessments of their transition plans. In conjunction with sustainable finance, this approach can improve the resilience of our portfolio against transition risks. Further details can be found in the Strategy section, with page 18 detailing our assessments of transition plans and page 19 detailing our sustainable finance products.

49. NIWA (2021), Coastal Flooding Exposure Under Future Sea-level Rise for New Zealand (Prepared for The Deep South Challenge) deepsouthchallenge.co.nz/wp-content/uploads/2021/01/Exposure-to-Coastal-Flooding-Final-Report.pdf



Image taken at our customer Owl Farm, in Cambridge

METRICS & TARGETS



The following tables give an overview of our FY23 performance against our climate metrics and targets. For more detail, please see the pages referenced for each metric/target and in the below appendices.

Table 10: Westpac NZ climate targets.

Alignment to climate change strategy	Target	Performance against target	Physical/ transition risk or opportunity	2023	2022	2021	2020	2019	Page reference				
Net-zero operations: Measure, reduce and report our footprint and encourage suppliers ⁵⁰ and employees ⁵⁰ to do the same.	Reduce operational CO2e by 30% (vs 2019) by 2025. · Reduce scope 1, 2, and 3 mandatory emissions* to 4,359 tCO ₂ e.	36.8% reduction in 2023 vs 2019. Aided, in part by a reduction in the national electricity emissions factor. Offset remaining emissions in line with Toitū net carbonzero certification.	Transition	Scope 1 operational GHG emissions 989 tCO ₂ e 982 tCO ₂ e 1,306 tCO ₂ e 1,408 tCO ₂ e 1,674 tCO ₂ e					14-15				
	Scope 2 operational GHG emissions 897 tCO ₂ e 1,812 tCO ₂ e 2,049 tCO ₂ e 2,073 tCO ₂ e 1,901 tCO ₂ e												
	Scope 3 operational GHG emissions Mandatory: 2,051 tCO ₂ e Additional: 769 tCO ₂ e Mandatory: 1,020 tCO ₂ e Additional: 1,136 tCO ₂ e Mandatory: 1,044 tCO ₂ e Additional: 1,037 tCO ₂ e Mandatory: 1,913 tCO ₂ e Additional: 1,122 tCO ₂ e Mandatory: 2,650 tCO ₂ e Additional: 1,122 tCO ₂ e												
	Total operational GHG emissions⁵¹ 4,705 tCO ₂ e 4,950 tCO ₂ e 5,437 tCO ₂ e 6,517 tCO ₂ e 7,347 tCO ₂ e												
	% reduction of Toitū mandatory emissions 36.80% 38.72% 35.08% 19.48% Base year (But 8% reduction against previous base year of 2016)												
	Convert vehicle fleet to 100% EV/PHEVs by 2025.	74% (179) of our vehicle fleet is now EV/PHEVs as at 30 September 2023.	Opportunity	% and number of EV/PHEVs of vehicle fleet 74% 51% 41% 34% 30% 179 137 115 102 92									
	Net-Zero Banking Alliance target for Westpac NZ agriculture portfolio. · Dairy: 10% reduction in Scope 1 land management emissions intensity (tCO ₂ e/t FPCM) from 2021 Baseline (0.83) · Sheep & Beef: 9% reduction in Scope 1 land management emissions intensity (tCO ₂ e/t Fresh Weight) from 2021 Baseline (19.4).					Transition	Net-Zero Banking Alliance target for Westpac NZ agriculture portfolio Targets set this year NA NA NA NA					17-19	
	Enable \$10b in sustainable finance by 2025.⁵² Enabled \$11.7b in sustainable finance, comprising \$7.4b of sustainable lending and \$3.4b of sustainable bonds to date. As we have met our target ahead of 2025, we are looking to develop new targets in 2024.					Opportunity	Total of sustainable finance \$11.7b \$7.3b \$3.4b \$1.6b \$1.6b Set new target of \$10b by 2025. Target was \$2b by 2020.						
	· Provide \$6b of sustainable lending to customers (e.g., renewable energy, education, low carbon transport).					Sustainable lending \$7.4b \$4.9b \$2.9b \$1.6b \$1.6b							
	· Facilitate \$4b of sustainable bonds for our customers and Westpac.					Sustainable bonds \$4.4b \$2.5b \$0.5b NR NR							

50. We currently do not have a formal metric for encouraging suppliers and employees to reduce emissions. This is done informally through individual supplier engagements and internal employee engagement campaigns.

51. Total operational emissions include Scope 1, Scope 2 and Scope 3 Mandatory and Additional emissions.

52. This is a cumulative target which comprises (a) \$5b for lending to Climate Change Solutions, \$700m for lending for healthy, affordable and social housing, and other environmental, social and sustainability-linked lending (building on Westpac NZ's FY20 exposure), and (b) facilitation of sustainable bonds (for customers and Westpac NZ treasury) by Westpac Banking Corporation (acting through its New Zealand Branch) from 1 October 2020 to 30 September 2025. All sustainable finance reported is informed by global sustainable finance market standards, principles and guidance that are commonly used to label or categorise loans and bonds as sustainable. The sustainable finance target includes finance for social and non-climate sustainability initiatives which may not reduce climate change risk.

Table 11: Westpac NZ climate metrics.

Alignment to climate change strategy	Metric	Performance against metric	Physical/ transition risk or opportunity	2023	2022	2021	2020	2019	Page reference
<p>Help Aotearoa act on climate change: Build climate change risk and opportunity into our lending and investment decisions, and help our customers do the same.</p>	Scope 3 financed emissions (Scope 1 and 2 emissions from the following asset classes and selected Scope 3 emissions from material sectors). <ul style="list-style-type: none"> Residential mortgages Corporate real estate Business lending. 	Built an in-house model to estimate financed emissions and improved individual data quality scores for each asset class.	Transition	<p>Scope 1 and 2</p> <ul style="list-style-type: none"> 5,833,229 tCO₂e Residential mortgages Data Quality: 4.10 Corporate real estate Data Quality: 4.54 Business lending Data Quality: 4.15 <p>Scope 3</p> <ul style="list-style-type: none"> 589,949 tCO₂e Data Quality: 2.75 	Undisclosed due to low data quality score.	Began estimating financed emissions, undisclosed due to low data quality score	NA	NA	16
	Sector exposures at heightened risk from climate change in TCE.	We continue to track and disclose our sector exposures at heightened risk.	Transition	Disclosed on page 11 of this Climate Report	Disclosed on page 7 of our 2022 Climate Risk Report	Disclosed on page 4 of our 2021 Climate Risk Report	Disclosed on page 4 of our 2020 Climate Risk Report	NA	11
	Proportion of lending secured by properties exposed to a heightened natural coastal hazard risk from sea-level rise under a 4 degrees warming scenario. <ul style="list-style-type: none"> Residential mortgages Commercial property lending Agricultural lending. 	We continue to track and disclose the proportion of lending secured by properties exposed to heightened risk from sea-level rise.	Physical					NA	12
				2.1%	2.1%	2.3%	2.3%		
				3.4%	2.1%	2.2%	2.1%		
				3.5%	3.4%	3.4%	2.9%		
				Disclosed on page 12 of this Climate Report	Disclosed on page 15 of our 2022 Climate Risk Report	Disclosed on page 10 of our 2021 Climate Risk Report	Disclosed on page 8 of our 2020 Climate Risk Report		
	Lending to fossil fuel. Lending to Climate Change Solutions.	72% reduction in lending to fossil fuel mining and extraction from 2012.	Transition	FF: \$193m TCE CCS: \$3.1b TCE 72%	FF: \$271m TCE CCS: \$1.8b TCE 61%	FF: \$223m TCE CCS: \$1.6b TCE 68%	FF: \$282m TCE CCS: \$1.4b TCE ⁵³ 60%	FF: \$274m TCE CCS: \$1.4b TCE ⁵³ 61%	12
	% reduction to lending to fossil fuel mining and extraction from 2012.								
	Greater Choices Home Loan lent. ⁵⁴	Expanded our Greater Choices home loan (previously named Westpac Warm Up home loan) from \$40k to \$50k interest-free, for five years, for energy efficient home improvements as well as EVs and doubled our lending goal to \$200m.	Opportunity	\$110m	\$42m	\$28m	\$15m	NA	22
Total lent: <ul style="list-style-type: none"> Sustainable Farm Loan Sustainable Business Loan. 	Launched a comprehensive Sustainable Farm Loan, and a Sustainable Business Loan that include discounted lending for a range of social and environmental initiatives.	Opportunity	\$1.0b ⁵⁵ \$0.04b ⁵⁶	NA	NA	NA	NA	19-20	

53. In 2021, the methodology was updated to exclude the contingent liability of pre-settlement risk (PSR) facilities when reporting the Total Committed Exposure (TCE) to Climate Change Solutions lending. This approach aligns to fossil fuel mining and extraction reporting being on a TCE basis. This minor methodology update results in the Climate Change Solutions lending balances recorded in the table for 2020 and 2019 (\$1.4b) being lower than the original balance (\$1.6b) reported in the 2019 and 2020 Disclosure Statement, Sustainability Report and the 2020 Climate Risk Report.

54. As the Westpac Greater Choices home loan now includes lending that is aligned specifically to climate change, not solely healthy homes, our cumulative sustainable finance lending reported for 2023 does not include new lending since 2022. From 2024, Westpac intends to include Greater Choices home loan lending as part of the overall sustainable lending target.

55. Included in Climate Change Solutions lending which is captured under our Sustainable Finance target.

56. Included in Climate Change Solutions or social and affordable housing balance as part of Sustainable Finance dependant on the committed use of the proceeds.

Your feedback helps guide us

We believe collective action is the best way to combat climate change and prepare for its impacts. By sharing our insights and progress through this report, we hope to contribute to that action and offer important insights to businesses, individuals and communities. If you have any questions or feedback for us, please contact us at sustainability@westpac.co.nz.



IMPORTANT INFORMATION

Measurement of emissions.

This climate report outlines Westpac NZ's approach to managing climate change and transition to net-zero. This is an inherently challenging task, as measuring GHG emissions and other climate change related metrics referenced in this report is necessarily based on estimates and judgements, inexact or limited data, and significantly limited by currently available technology and methodologies. We have aimed to apply consistent principles in how we measure and report GHG emissions and other climate-related metrics, and how we set climate-related targets, but recognise that these are estimates and in some cases remain subject to significant uncertainty.

Further information on methodologies used for some of the key metrics contained in this climate report are contained in:

- Appendix: Financed emissions
- Appendix: Operational emissions
- Appendix: Exposure to heightened risks from sea-level rise.

Over time we expect that, unlike normal financial reporting, our climate-related quantitative disclosures will change as new methodologies emerge, technologies change and all our stakeholders including customers, suppliers and governments become better at measuring their emissions and understanding their own climate-related risks and opportunities.

Forward-looking statements.

This climate report contains climate-related and other forward-looking statements, including targets, commitments, plans, forecasts and assumptions. We use words such as 'will', 'may', 'expect', 'intend', 'seek', 'would', 'should', 'could', 'continue', 'plan', 'aim', 'goal', 'target', 'probability', 'risk', 'forecast', 'projection', 'likely', 'estimate', 'anticipate', 'believe', or other similar words to identify forward-looking statements. While forward-looking statements naturally carry a degree of uncertainty, this is further exacerbated in climate-reporting given the measurement and data availability challenges highlighted above.

These forward-looking statements reflect our current views, expectations and intentions at the date of this report, 27 November 2023. Although Westpac NZ considers forward-looking statements have a reasonable basis at the date of this report, these statements are not certain and are subject to known and unknown risks and uncertainties, which are, in many instances, beyond our control. These risks and uncertainties may result in actual future results, performance, outcomes, or circumstances being materially different from those expected at the time of this climate report and may affect our ability to meet commitments or targets set out in this climate report or otherwise made by Westpac NZ. While Westpac NZ has prepared this report based on our current knowledge, expectations and intentions and in good faith, we reserve the right to change our views and intentions in future as new information becomes available to us.

References to banking products.

Where loan products are discussed in this document, lending criteria, terms and conditions apply to these products, which may be subject to change from time to time. Fees and charges may also apply. See westpac.co.nz/home-loans-mortgages/options/greater-choices-home-loan/ for further details on Westpac NZ's Greater Choices Home Loans, westpac.co.nz/personal-loans/ev-loan/ for further details on Westpac NZ's EV personal loan offer, westpac.co.nz/business/products-services/loans-overdrafts/sustainable-business-loan/ for further details on Westpac NZ's Sustainable Business Loan, and westpac.co.nz/agribusiness/sustainable-farm-loan/ for further details on Westpac NZ's Sustainable Farm Loan.

No financial advice.

The information in this climate report is given in summary form and does not purport to be complete. The material in this report is provided for information purposes only and is not advice, recommendations or opinions in relation to any Westpac products or services. The information in this report is general, and does not take into account the investment objectives, financial position, or needs of any particular investor or customer. Investors should not place undue reliance on the disclosures in this report and should read the important guidance, assumptions, limitations and important notices throughout this report.



Appendix: Scenario analysis narratives

These scenarios have been identified by the NZBA and the RBNZ respectively as plausible future scenarios and applied in order to test the resilience of Westpac NZ's Strategy. The RBNZ scenario was customised to be relevant and specific to Westpac NZ.

Overview of scenarios:

1. NZBA Orderly Transition scenario.

The Orderly scenario describes a future world where timely, coordinated, and collective action has been taken to transition to a low emission future, achieving net-zero by 2050 and limiting global warming to 1.5°C by 2100.

While the worst of the potential physical risks of climate change have been averted, physical risks persist at levels higher than those seen last century. As a result, agricultural production is inhibited due to the increased frequency of droughts, heatwaves and flooding, the increased intensity of storm damage, altered precipitation and higher temperatures. While low-lying areas have been inundated, adaptation and remediation activities have been able to be gradually carried out, limiting damage.

A combination of government incentives, a ban on new gas connections for both residential and commercial buildings from 2025, education, technological advancement and competition has seen barriers to technology adoption of energy-efficient homes and electric vehicles decrease and adoption become widespread.

Agriculture was introduced to the New Zealand Emissions Trading Scheme (NZ ETS) from 2025 and the carbon price was gradually increased, reaching NZ\$138 per tonne of carbon dioxide equivalent in 2030 and NZ\$250 in 2050. The transformation of the economy has impacted the viability and value of some emissions-intensive industries. This is particularly evident in the agriculture sector where demand for dairy, beef and lamb has reduced in favour of alternative milks and proteins, as consumers try to reduce their carbon footprint.

The reduced profitability of some agricultural activities has resulted in a decreased ability to repay loans and, in extreme instances, resulted in negative equity on more recently acquired properties. In contrast, some farmers who proactively explored opportunities to grow new crops better suited to the changed climate and embraced technology to improve efficiency have thrived and increased their profits.

Some asset values such as less efficient buildings with low resiliency have been negatively impacted, and government-supported, managed retreats have occurred in coastal locations where rising sea levels and associated flooding and erosion could not be prevented.

2. RBNZ Too Little, Too Late scenario.

Under the Too Little, Too Late scenario, global action to reduce emissions is too late to avert substantial climate change. By 2050, global temperatures have increased by 2°C, resulting in sea-level rise, more frequent extreme weather events and less predictable seasons.

During the period to 2030, acute climate events continue at an infrequent but recurring rate. In the 2030s, the frequency and severity of both acute and chronic weather events increases as global emissions persist, causing severe damage to property, crops and infrastructure. As 2050 approaches, physical climate-related events continue at pace.

Existing climate-related policies remain in place in the 2020s. From 2031, due to climate-related events and increasing social unrest, the European Union and some countries, including Aotearoa, take policy

action, including increased carbon pricing. This exposes their economies to transition risks earlier than “late mover” countries, slowing economic growth as higher relative carbon prices reduce competitiveness in export markets.

By 2050, Aotearoa has reduced emissions by 90% from 2023 levels, led by significant efforts in agriculture, including reduced herd sizes and conversion of farming land to forestry. Residential and commercial building emissions approach zero-carbon due to enhanced energy efficiency technologies and the incorporation of renewable energy sources, such as rooftop solar panels and better battery storage solutions.

The increased climate-related physical events in the 2030s leads to widespread insurance repricing, particularly in coastal storm and inland flood zones. Insurance coverage falls as customers are either unable to afford premiums and/or as insurers exclude flood cover from policies.

By 2050, sea-level rise has left many coastal areas uninhabitable or uninsurable. Slips cut off small coastal communities beyond 2050 for much of the year, as the cost and frequency of repairs slow down repair efforts. The agriculture sector is almost unrecognisable as beef, lamb and dairy consumption has fallen in favour of alternative proteins and large tracts of farmland are converted to forestry.

3. NZBA Hot House World scenario.

This is a future world characterised by high physical risk due to extreme weather events, as limited efforts were made to transition to a low carbon economy.

Average global temperatures have increased by over 2.5°C by 2050, due to absence of action to reduce emissions both here and globally. Extreme weather events occur frequently, significantly impacting daily life, business operations and government functions. By mid-century, climate change is progressively more evident with a 40% increase in precipitation in some regions, increasing flooding and slips, whilst other areas suffer significantly increased droughts, leading to losses in the agriculture sector.

Low emission alternatives and technology adoption is limited, with continuing fossil gas use, especially when drought reduces hydro-electric capacity. Adoption of low emission agricultural alternatives is not widespread as agribusinesses focus on short-term profits, so methane emissions fall just 12% by 2050, which is inadequate to meet the 2030 and 2050 targets. Globally, agreement on minimising climate change collapses.

While GDP domestically and internationally has been unconstrained by emission reductions, GDP has still fallen due to physical impacts. Internationally this growth is concentrated in countries with an abundance of fossil fuel assets while many low-lying developing countries are inundated, with residents becoming climate refugees.

Sea levels have risen materially in New Zealand, with low-lying coastal areas inundated. Extreme weather events frequently batter the coast, exacerbating coastal erosion. Many communities have been displaced by climate change. Actuarial projections mean that insurance premiums increase significantly at first, and then become unavailable.

By the second half of the century, social, political and economic structures have destabilised. All industries are negatively impacted as high levels of physical risk destabilise large swathes of the economy.

Appendix: Financed emissions

In FY23, we have estimated our financed emissions associated with our lending in three asset classes:

1. Business, commercial and institutional lending.
2. Commercial real estate.
3. Residential mortgages.

Our methodologies for these asset classes are guided by principles in the Partnership for Carbon Accounting Financials (PCAF)'s Global GHG Accounting and Reporting Standard: Part A – Financed Emissions 2nd edition (the PCAF Standard). We have endeavoured to align with the PCAF guidance wherever possible, although we have deviated in some instances based on the local applicability of certain methodologies, the availability of data, and other commercial considerations. WBC and Westpac NZ are not currently signatories to the PCAF Standard.

In each asset class, we have used several approaches to estimate our financed emissions. These approaches were informed by the options as described in the PCAF Standard. We have considered our approaches based on availability and quality of data inputs at the facility, customer and/or sector-levels; where possible, we have used the approaches where relatively more accurate data was available.

In alignment with PCAF, we have taken an operational approach to estimate financed emissions.

Reporting period.

Financed emissions are measured following the financial year period: 1 October 2022 to 30 September 2023. In 2023, we updated our methodologies for improvements in data collection and to better align with both the PCAF Standard where appropriate and the methodologies used to calculate our Net-Zero Banking Alliance targets and baselines. As such, we are setting FY23 to be our base year for financed emissions.

Exclusions.

As at 2023, we have not estimated financed emissions for other asset classes due to considerations of materiality in the context of Westpac NZ's portfolio, data availability, and lack of appropriate methodologies. Notably, our non-mortgage personal lending (e.g. personal loans and credit cards), our lending to Government and Government-owned entities, and motor vehicle loans are out of scope for our financed emissions calculations.

We have not measured facilitated emissions (activity that we may help originate or support that has no current exposure) as there are currently no agreed methodologies available. We will review our approach as guidance becomes available.

Data.

We prioritise available data from the most recent time periods relevant to our estimate calculations, supplemented by estimates and assumptions where applicable. As data quality varies across portfolios and sectors, in some instances we need to use proxy data to estimate emissions totals. Following is a discussion of our major data elements and factors that may impact our calculations.

Measures of financing: For the purposes of estimating financed emissions, we use two different metrics to measure our financing to customers across our portfolios:

- for our residential mortgages lending, we use outstanding loan balance
- for our business, commercial and institutional lending, including loans secured by Commercial Real Estate, we use Total Committed Exposure (TCE).⁵⁷

Collectively, these are termed our “lending” to our customers in this methodology appendix.

Our approach of using outstanding loan amount for residential mortgages lending is in alignment with the approach recommended in the PCAF Standard for the ‘Mortgages’ asset class.

Our approach of using TCE is a conservative deviation from the approach recommended in the PCAF Standard of using the on-balance sheet outstanding loan amount for the ‘Business loans’ asset class. We consider TCE a more comprehensive approach, reflecting our decisions to extend credit to customers. It also allows better long-term measurement of our financed emissions as it avoids potential volatility due to customers’ use of their facilities. However, all else being equal, using TCE is likely to lead to higher emissions estimates given the inclusion of undrawn and off-balance sheet amounts in this metric.

Timing of data: While we seek the most recent data in our calculations, we often need to apply data from different time periods depending on availability.

Data quality: We evaluate data quality using Data Quality Scores based on the data quality scorecards within the PCAF Standard. These Data Quality Scores reflect the level of uncertainty in the data using a scale of 1 of 5, with the lowest scores assigned to relatively more accurate company/property-level data and the highest scores assigned to data reliant more on assumptions and proxy data such as industry averages.

Over time we are aiming to lift the quality and availability of our data and improve (reduce) our PCAF data quality scores across our asset classes.

Industry classification codes: We use ANZSIC codes to identify customers’ primary business activity and sector they are involved in. For many sectors, we can then apply a relevant calculation approach and sector-level economic intensity emissions factor. Using ANZSIC codes has a number of limitations including:

- ANZSIC codes may not reflect changes where a business may have transitioned from one sector over time or as a result of corporate transactions such as acquisitions or divestments
- where diversified customers are allocated to a specific ANZSIC sector, the estimated emissions may not be reflective of the actual business activities and therefore be under or overstated
- our calculation requires mapping ANZSIC to NZSIOC codes for the purposes of applying sector-level economic intensity emissions factor.

Property-level information: We are unable to readily obtain property-level emissions or energy consumption data for most residential or commercial properties. Accordingly, we apply regional averages and/or other regional proxy data to estimate the emissions for these properties.

Comparing emissions data over time: At this point in time, caution should be taken when comparing our financed emissions results from year to year while our methodologies mature. Changes to

⁵⁷ Due to technical data limitations of our data collection for this process, this measure of TCE differs in definition from the TCE used for the purposes of reporting in our financial statements (TCE for financial statements is the maximum amount of credit exposure which Westpac NZ is committed to incur to a customer. It is calculated using the drawn loans plus undrawn committed exposures). Where data was available, we include in this measure both on- and off-balance sheet exposures and the committed portion of direct lending and contingent risk; we exclude pre-settlement risk and secondary market trading and underwriting risk and exclude the effect of credit risk mitigation instruments where possible. In portfolios where data is limited, the measure is effectively the greater of the credit limit and the outstanding loan amount. Most of the data for this TCE measure is at 30 September 2023, with a part of the New Zealand Commercial Real Estate portfolio data as at 30 June 2023 due to data unavailability.

methodologies and underlying data (some of these outlined above) may change the estimated financed emissions results and impact comparability over time. Changes could include changing data sources, sector allocations, sector and commodity emissions factors, and sector financial ratios. Methodology changes are also possible as more analysis is completed on sectors and sub-sectors to better understand emissions.

Our financed emissions estimates are based on the best available data at a point in time taking into consideration the factors above. However, with different methodologies, and more timely data points, significantly different results may be possible. Therefore, there will be a level of uncertainty inherent in the calculations. We have evaluated our data quality using the Data Quality Scores based on the PCAF methodology and calculated individual scores for each asset class.

Looking ahead.

We will continue to develop the calculation of our financed emissions as new and better data emerges, and estimation methodologies evolve. This will include:

- keeping up-to-date on industry approaches and changes in the PCAF Standard and Net-Zero Banking Alliance guidelines
- sourcing more accurate and/or granular customer and/or property-level energy consumption, production activity, reported emissions, and company financial data
- reviewing and refining our assumptions, calculations, and processes.

Independent assurance.

We have not obtained independent assurance over our financed emissions methodology this year.

Business lending.

Scope.

All business, commercial and institutional lending from Westpac NZ's on-balance sheet (NZD and Foreign Currency) and off-balance sheet Non-Bond Guarantees are included except for:

- Consumer lending (e.g. personal credit cards and personal loans)
- Business lending that meets the definition of Commercial Real Estate is excluded to avoid double-counting (see separate methodology below)
- Lending to Government under the 75 ANZSIC codes
- Intra-group lending between Westpac entities
- Certain institutional undrawn facilities
- Finance leases and pre-settlement risk exposures
- Business Credit Cards.

Data sources.

Data sources used in our calculation include:

- Westpac NZ internal systems
- Reported emissions and activity data:
 - Customers' reported Scope 1, 2, and 3 emissions were sourced for the latest available periods from a combination of external financial market data providers, agribusiness farm reports, and customers' public disclosures. For conservatism, we assumed all the externally sourced emissions data to be unverified and hence not eligible for Data Quality Score 1
 - Customers' reported physical activity data was sourced for the latest available periods from a combination of Westpac NZ internal systems based on periodic customer filings of company production information for certain agriculture customers
- Customer financial data:
 - Customers' financial data was sourced for the latest available periods from a combination of Westpac NZ internal systems based on periodic customer filings of company financial information and external financial market data providers
- Emission factors:
 - Emissions factors for Scope 1 and Scope 2 were derived based on information from a combination of:
 - Statistics New Zealand (Stats NZ) GHG emissions (industry and household) for the year ended 2021
 - Stats NZ Annual Enterprise Survey for the 2022 financial year
 - Where NZ industry sector emissions factors were not available, sectoral emissions factors for Scope 1 and Scope 2 for Australian industry sectors were used, being derived on a per-dollar revenue basis for each sector (i.e. tCO₂e per \$ of company) based on publicly available information from a combination of:
 - Australian Government Department of Agriculture, Water and the Environment – National Greenhouse Accounts – National inventory by economic sector for 2021
 - Australian Bureau of Statistics – National Inventory by Economic Sector for 2021
 - Specific emissions factors for Scope 1 emissions related to land management per head of livestock in the agriculture industry were derived for certain livestock categories based on information from a combination of:
 - Stats NZ Fertilisers – nitrogen and phosphorus statistics for 2021
 - Ministry for the Environment emissions measurement guide for organisations released in 2023 for 2021 data

- In absence of any other available information, Scope 3 emission factors were derived for mining sectors (including oil and gas extraction) and downstream sectors within manufacturing from known revenue figures and reported emissions totals of customers in these sectors
- Sectoral emissions factors were calculated at the ANZSIC (1993) code level, wherever data was available. Where required, emissions factors at a lower granularity were mapped to higher granularity sector codes on a ‘best-fit approach’ ANZSIC classification, and New Zealand NZSIOC sector codes were also mapped to ANZSIC codes
- Financial ratios:
 - Sector financial ratios for New Zealand industry sectors were derived for each sector based on information from Stats NZ Annual Enterprise Survey for 2022
 - Where NZ industry sector financial ratios were not available, sector financial ratios for Australian industry sectors were used, being derived for each sector based on information from a combination of:
 - external financial market data providers’ data for Australian and New Zealand top companies up to August 2023
 - for certain subsets of customers in the agriculture sector: Australian Bureau of Agricultural and Resource Economics (ABARES) Farm Data Portal data for 2022.

Calculation approaches and data scores.

We attribute a portion of the estimated (or actual) emissions for each customer in these portfolios using an **attribution factor**. The attribution factor is the ratio of our lending over the customer’s **company value**. Depending on availability of customer financial data, we measure **company value** as either: the **enterprise value** including cash (EVIC) for certain listed companies or private companies’ listed parent company groups; or the sum of the **total equity and debt** (or total tangible assets, depending on data availability) for private customers or their parent company group.

Emissions for business lending customers depend on their activity and sector. We estimate the Scope 1 and 2 emissions associated with these exposures based on their sector, and then aggregate these estimates across customers and portfolios. Within the mining sector (including oil and gas extraction) and downstream sectors within manufacturing, we also estimate Scope 3 for exposures to customers.

Financed emissions for each customer are calculated as the product of the attribution factor for each customer (or the relevant sector-level financial ratio multiplied by the sum of our lending to the customer), and the total reported or estimated emissions for each customer (or the relevant sector-level emissions factor).

The PCAF data hierarchy assigns a data quality score from one to five (highest data quality to lowest) which represents varying levels of estimation and uncertainty in a customer’s emissions based upon the reliability of the data available. Details of this for business lending are in the table below.

Table 12: Business lending calculation approaches and data quality score.

PCAF option	PCAF data quality score	Formula	Description	% of in scope business lending exposures (TCE) modelled
1b	2	Attribution Factor x Customer’s actual emissions	Customers’ Scope 1 and 2 emissions were sourced as-is from information available in customers’ public disclosures, farm reports and financial market data providers (emissions were assumed to be unverified).	4.76%
2b	3	Attribution Factor x Livestock counts x Estimated livestock emissions factor	Customers’ emissions were estimated based on customers’ primary physical activity data of their companies’ production and emissions intensity factors specific to those production data. This approach was applied to livestock-based agriculture companies only, where physical activity data and relevant emissions factors were available.	13.65%
3a	4	Attribution Factor x Customer’s revenue x Sector emissions factor	Customers’ emissions were estimated based on the customers’ economic activity data, where customer financial data was available, and economic emissions intensity factors at the sector-level. For Scope 1 and 2 emissions, customer revenue was multiplied by a sector-level economic emissions intensity factor allocated to the customer’s ANZSIC sector on a ‘sector best-fit approach’. This approach was applied to customers where customer-specific emissions and physical activity data were not available but financial data was available.	43.63%
3c	5	Lending amount x Sector financial ratio x Sector emissions factor	Customers’ emissions were estimated based on economic intensity, where customer production and financial data were not available. For Scope 1 and 2 emissions, customer revenue was estimated based on sector financial ratios and then multiplied by a sector-level economic emissions intensity factor allocated to the customer’s ANZSIC sector on a ‘sector best-fit approach’. For Scope 3 emissions, customer exposure was multiplied by a sector-level emissions attribution factor allocated to the customer’s ANZSIC sector on a ‘sector best-fit approach’. This approach was applied to customers where customer-specific emissions, physical activity, and financial data were not available.	37.97%

Commercial real estate.

Scope.

All commercial real estate lending secured against residential and/or commercial property from our on-balance sheet lending and off-balance sheet non-Bond Guarantees are included in the financed emissions figures on page 16 of this report, except for finance leases and pre-settlement risk exposures. Emissions related to construction of properties are not included. Other commercial property types excluded were:

- Freehold hotels and motels
- Development lands (residential, industrial, office, and retail).

Data sources.

Data sources used in our calculation include:

- Westpac NZ internal systems
- New Zealand benchmark per-dwelling electricity consumption figures across the islands and regions were sourced from the New Zealand Electricity Authority for the period September 2022 to August 2023
- New Zealand benchmark per-dwelling energy demand figures were sourced from the Energy Use in New Zealand Households – Final Report on the Household Energy End-use Project (HEEP) BRANZ Study Report SR 221 for 2010. Further details on the types of heating used in New Zealand dwellings across the regions were sourced from Stats NZ for 2018
- New Zealand benchmark per-commercial building energy demand figures were sourced from the Building Energy End-use Study (BEES) Part 1: Final Report BRANZ Study Report SR 297/1 for 2014
- Estimated mean price per square metre measure for New Zealand residential properties derived from a combination of data from Stats NZ median floor area of all homes series for December 2022 and median house price data sourced from property market research snapshots for the Residential sector prepared by a property market data provider for August 2022 to July 2023
- Benchmark data on the average floor area of residential dwellings broken down by regions in New Zealand sourced from a property market data provider for 2023
- Estimated mean price per square metre by region were derived from a combination of average yield and average gross face rents data sourced from national property market research snapshots for retail, industrial, and office sectors prepared by property market data providers for Q3 2022
- New Zealand population statistics were sourced from Stats NZ for 2022
- New Zealand emissions factors for the consumption of purchased or acquired electricity at the national level, and the combustion of natural gas, LPG, wood, and coal, were sourced from the New Zealand Government Ministry for the Environment emissions measurement guide for organisations for 2023.

Calculation approaches and data scores.

We attribute a portion of the estimated emissions for each in-scope property based on **attribution factors**. The attribution factor is the ratio(s) of customer lending secured by the property over the property value of the relevant property.

Depending on data availability, we measure the **property value** as either: the value at loan origination or the most recent credit event (i.e. when the loan was increased, renewed, refinanced, or extended).

Emissions from Commercial Real Estate lending represent emissions created by the energy use of the property. This includes Scope 1 and 2 emissions and is reported in tCO₂e. Where data was available, we use floor area of the property to estimate emissions, otherwise average energy consumption per property (by region and property type) was used.

Total financed emissions are calculated by grouping properties with similar building and geographic characteristics and aggregating the product of the estimated emissions for each group of properties across the portfolio and the attribution factor for each group.

Table 13: Commercial real estate calculation approaches and data quality scores.

PCAF option	PCAF data quality score	Formula	Description	% of in scope business lending exposures (TCE) modelled
2b	4	Attribution Factor x Floor area of property x Energy consumption per m ² x Emissions intensity factor	Customer emissions are estimated based on estimated building energy consumption per NLA floor area based on building type and location-specific statistical data. Emissions are calculated using estimated building energy consumption and average emission factors specific to the respective energy source. This approach was applied to only a limited subset of properties for which data on NLA floor area was available to be sourced.	46.21%
3	5	Attribution factor x Property value x Average floor area per \$ property value x Energy consumption per m ² x Emissions intensity factor	Customer emissions are calculated based on estimated building energy consumption per building based on building type and location-specific statistical data and aggregated across the number of buildings in each category. Emissions are calculated using estimated building energy consumption and average emission factors specific to the respective energy source. This approach was applied to the majority of properties in our portfolio where only exposure and property values are known and available.	53.79%

Residential mortgages.

Scope.

All residential mortgages from Westpac NZ's on-balance sheet loans to New Zealand customers (both owner-occupiers and investors) for the purchase and refinancing of residential property, has been included in the financed emissions figures on page 16 of this report, except:

- Loans for the purchase of vacant land, as there are no attributable emissions.

Data sources.

Data sources used in our calculation include:

- Westpac NZ internal systems
- New Zealand benchmark per-dwelling electricity consumption figures across the islands and regions were sourced from the New Zealand Electricity Authority for the September 2022 to August 2023 period
- New Zealand benchmark per-dwelling energy demand figures across the islands were sourced from the Energy Use in New Zealand Households – Final Report on the Household Energy End-use Project (HEEP) BRANZ Study Report SR 221 for 2010. Further details on the types of heating used in New Zealand dwellings across the regions were sourced from Stats NZ for 2018
- Security floor area data and benchmark data on the average floor area of residential dwellings broken down by regions in New Zealand sourced from an external property research data provider for 2023
- New Zealand population statistics were sourced from Stats NZ for 2022
- New Zealand emissions factors for the consumption of purchased or acquired electricity at the national level, and the combustion of natural gas, LPG, wood, and coal, were sourced from the New Zealand Government Ministry for the Environment emissions measurement guide for organisations for 2023.

Calculation approaches and data scores.

We attribute a portion of the estimated emissions for each property based on an **attribution factor**. The attribution factor is the ratio of the loan amount over the property value and adjusting the ratio if multiple properties are linked to the same loan. We measure the **property value** as the value at either loan origination, or the most recent credit event (i.e. when the loan was increased, renewed, refinanced, or extended).

Emissions from residential mortgages represent emissions created by the household energy use of mortgage customers. This includes Scope 1 and 2 emissions reported as tCO₂e. Where available, we used floor area of the dwelling to calculate this; otherwise regional average energy consumption per household was used.

Total financed emissions are calculated by aggregating the product of the estimated emissions for each group of properties per loan and the attribution factor for each loan.

Table 14: Residential mortgages calculation approaches and data quality scores.

PCAF option	PCAF data quality score	Formula	Description	% of in scope home lending exposures (outstanding balance) modelled
2b	4	Attribution Factor x Floor Area of Dwelling x Average household emissions per m ²	Customer emissions are estimated based on estimated dwelling energy consumption per floor area based on location-specific statistical data. Emissions are calculated using estimated building energy consumption and average emission factors specific to the respective energy source.	90.50%
3	5	Attribution Factor x Average household emissions	Customer emissions are calculated based on estimated dwelling energy consumption per dwelling based on dwelling type and location-specific statistical data. Emissions are calculated using estimated dwelling energy consumption and average emission factors specific to the respective energy source.	9.50%

Relationship to Net-Zero Banking Alliance targets.

Due to the different metrics used for financed emissions (based on absolute emissions) and Net-Zero Banking Alliance targets (based on emissions intensity), while there are differences in data inputs and methodologies, we have endeavoured to align these where it makes sense. Over time, as data improves including from better customer reporting we expect these approaches to gradually converge.

Appendix: Operational emissions

Our operational emissions have been certified by Toitū Envirocare, in line with ISO 14064-3:2019 and Toitū net carbonzero Programme Technical Requirements for the 01 July 2022 to 30 June 2023 measurement period.

Organisational boundaries were set with reference to the methodology described in the GHG Protocol and ISO 14064-1:2018 standard. Westpac NZ has applied an operational control consolidation approach, which aligns with the direct operational footprint of all our businesses in New Zealand. This scope includes our corporate offices, branches, ATMs, regional centres and data centres.

Calculations and emission factors.

Reports, invoices and data are received from the relevant data source/supplier and the relevant emission factors are applied to calculate the emissions. A calculation methodology has been used for quantifying the emissions inventory based on the following calculation approach: **emissions = activity data x emissions factor**.

All emissions were calculated using Toitū’s emanage software, with emissions factors sourced from the Ministry for the Environment’s 2023 **‘Measuring Emissions: A guide for organisations’**.

Operational emissions categories.

The table below details the categories defined in this climate report including the operational emissions reported against the EY19 baseline year categories.

Table 15: Westpac NZ’s operational emissions categories.

	Category	Operational Emissions against EY19 baseline	Residual emissions offset
Scope 1	Stationary combustion (LPG, Natural Gas)	✓	✓
	Mobile combustion (transport fuel used by company owned or leased vehicles)	✓	✓
	Refrigerants	✓	✓
Scope 2	Electricity consumption	✓	✓
Scope 3	Transport (air travel & non fleet vehicles e.g. taxis/private car usage)	✓	✓
	Accommodation	✓	✓
	Waste	✓	✓
	Working from home	x	✓
	Paper use	✓	✓
	Off-site EV charging	x	✓
	Distributed T&D losses	✓	✓
	Freight of cash	x	✓
	Data centres	✓	✓

Scope 1 operational emissions.

Scope 1 emissions are those GHG emissions released into the atmosphere as a result of Westpac NZ’s direct operations.

Table 16: Scope 1 operational emissions.

Scope Category	Overview of activity	Data Sources	Units	Key Assumptions
Stationary combustion	Consumption of natural gas, diesel and LPG used for stationary purposes at sites under Westpac NZ operational control.	Natural gas and LPG activity data is based on invoice records provided by suppliers and diesel activity data is based on fuel delivery records. Where natural gas invoices have not been received, consumption is based on historical usage.	kWh (Gas) L (Diesel)	It is assumed that the data sources are complete and accurate when received from suppliers/maintenance records.
Transport Energy	Consumption of liquid fuels for transport purposes (diesel and petrol) by fleet vehicles under Westpac NZ operational control, regardless of whether they are owned or leased.	Transport fuel data is based on invoice records provided by suppliers.	L (Fuel)	
Leakage of refrigerants	Emissions from refrigerants used in commercial air conditioning units.	Refrigerant emissions are calculated based on the refrigerant capacity, type and number of days in which the unit is owned and maintained by Westpac NZ, applying a leakage rate to the total volume of refrigerant that is based on the size of the systems and the type of refrigerant.	Kg (Refrigerant)	

Scope 2 operational emissions.

Scope 2 operational emissions are indirect GHG emissions from the consumption of purchased electricity by Westpac NZ.

Table 17: Scope 2 operational emissions.

Scope Category	Overview of activity	Data Sources	Units	Key Assumptions
Electricity consumption	Electricity used by commercial, retail and ATM sites under Westpac NZ’s operational control.	Electricity activity data is based on invoice records provided by electricity suppliers.	kWh (Electricity)	It is assumed that the data sources are complete and accurate when received from our supplier. Where invoice data is not available at the time of reporting, missing data is accrued based on historical usage. It is assumed that the data sources are complete and accurate when received from suppliers/maintenance records.

Scope 3 operational emissions.

Scope 3 operational emissions are indirect GHG emissions that occur in Westpac NZ’s supply chain, and exclude Scope 3 financed emissions and Scope 3 facilitated emissions.

Table 18: Scope 3 operational emissions.

Scope Category	Overview of activity	Data Sources	Units	Key Assumptions	Mandatory ⁵⁸ / Additional ⁵⁹
Business travel & transport	Indirect Scope 3 emissions from air travel, accommodation, rental car, taxi and private car usage undertaken by Westpac NZ employees for business purposes.	Business travel and transport activity data is based on invoice records provided by supplier, employee mileage reimbursements and taxi spend from our finance system.	Km (Air travel, Rental Car, Private car) Nights stayed (Accommodation) \$ (Taxi)	It is assumed the data sources are complete and accurate. All air travel, accommodation and rental car source data is derived from supplier customer activity data. It is assumed the data source represents a complete and accurate account of all accommodation activity.	Mandatory (accommodation = additional)
Working from home	Indirect Scope 3 emissions associated with work undertaken by Westpac NZ employees in New Zealand at their home, as opposed to office-based emissions.	Working from home emissions are estimated using employee survey data from June 2022, with a 25% response rate.	Employee per day	It is assumed that if an employee is not working in a corporate site, they are working from home.	Additional
Transmission and distribution (T&D) losses	Indirect Scope 3 emissions from electricity and natural gas losses that are attributable to the T&D of electricity and natural gas to Westpac NZ.	Electricity and natural gas activity data is based on invoice records provided by our suppliers.	kWh (Electricity & Gas)	It is assumed the data sources are complete and accurate. All source data is derived from our supplier’s reports. Where invoices have not been received, consumption is based on historical usage.	Electricity T&D = mandatory Natural gas T&D = additional
Purchased goods & services	Indirect Scope 3 emissions from paper consumption, and electricity consumption via off-site vehicle charging and data centre use.	Paper consumption, off-site EV charging activity data and electricity consumption at data centres is based on invoice records provided by our suppliers.	Kg (Paper) kWh (Off-site EV charging & data centres)	It is assumed the data sources are complete and accurate. All source data is derived from supplier records.	Additional
Waste	Indirect Scope 3 emissions generated from waste to landfill disposal from Westpac NZ corporate and retail sites.	Waste to landfill from corporate sites is based on supplier records; the waste to landfill from retail sites is estimated based on rubbish bag capacity.	Kg (Waste to landfill)		Mandatory
Freight of cash	Indirect Scope 3 emissions associated with the transportation of cash from Westpac NZ premises.	Downstream transportation and distribution data is sourced from our supplier who provides the proportion of their carbon footprint related to their activities for us.	Tonnes (Freight of cash)		Mandatory

Re-certifying emissions due to methodology change.

Due to an update in the Ministry for the Environment’s emission factor for Scope 2 electricity emissions in 2023, Westpac NZ has restated the electricity emissions for the past three environmental years (EY20-EY22) to reflect material impacts to our footprint as per the Toitū net carbonzero programme requirements. This update has not been applied to our EY19 base year inventory, as the change in emissions was below the default 5% materiality threshold and was deemed not to be material to our stakeholders in this instance.

Toitū re-verification of the footprints for these years was completed with updated total tCO₂e for these years as below:

Table 19: Re-verified operational emissions.

	EY20	EY21	EY22
Original – total gross operational emissions ⁶⁰	6,014	4,960	4,658
Re-verified – total gross operational emissions	6,517	5,437	4,950

58. Scope 3 mandatory emissions are mandatory supply chain emission sources required under the Toitū net carbonzero certification (Toitū) Programme.

59. Scope 3 additional emissions are supply chain emissions we have included above the minimum Toitū Programme requirements as we deem these emissions to be material to our business.

60. As disclosed in the Westpac NZ Climate Risk Report FY22.

Appendix: Exposure to heightened risks from sea-level rise

Methodology.

In 2019 the National Institute of Water and Atmospheric Research (NIWA), a Crown Research Institute and one of New Zealand’s leading research bodies on climate change, was engaged to provide exposure modelling on coastal flooding and erosion against the two scenarios. The anticipated changes to coastal hazards under two climate change scenarios, Representative Concentration Pathways 2.6 and 8.5, modelling was done to a 30-year time horizon ending in 2050.

NIWA used a 10% annual exceedance probability (AEP) based on current extreme sea-level elevation as the basis for its flood risk calculations for this dataset. NIWA then applied predicted sea level rise under two climate change scenarios (RCP2.6 and RCP8.5) in 10cm increments and mapped those onto high-resolution topography data to identify low-lying land potentially exposed to heightened coastal flood risk.

The dataset does not account for the structural vulnerability of individual properties, nor does it account for the localised flood dynamics and instead uses a “bathtub” model, which identifies land elevation below the predicted flood height, determined by a combination of maximum storm tide and wave height.

To calculate our exposure to heightened risk from coastal hazard under a RCP8.5 pathway, we have matched our mortgage lending exposures to the at-risk dataset provided by NIWA. We consider lending linked to the securities matched to the NIWA at-risk dataset as exposed to heightened risk from coastal hazards. We disclose this exposure as a proportion of our total lending to residential, commercial, and agricultural sectors.

Heightened risk is defined as annual exceedance probability of 10% or more, as well as general exposure to coastal hazards under NIWA’s Coastal Sensitivity Index.

Limitations:

The dataset used has the following limitations:

1. The 10% AEP coastal flood maps were produced for regions with LIDAR coverage. Properties located outside of the LIDAR coverage zones will not be captured in this analysis.
2. The zone of coastal erosion is calculated based on a set-back from the coastline. The coastline used is the LINZ coastline from 2006 when the CSI was created. This shoreline is an imperfect representation of the changing land-sea boundary in some places, but is adequate to capture property close to high coastal sensitivity indices.
3. We used a static, or “bathtub” mapping procedure within GIS to identify land with elevations lower than the 10% AEP storm-tide + wave-setup + SLR elevations. This assumes that all land lower than the sea-level is flooded, which will overestimate the number of properties exposed to coastal flooding because the dynamics of flooding are not accounted for. For example, sea-levels remain high for a 2–3 hour period around peak tide, which might not result in substantial flooding depending on the topography. The overestimation will be worse over large flat flood plains, such as at Motueka or Christchurch.
4. With the exception of Port Waikato, we did not remove isolated inland flood zones (or “puddles”) that might not be connected to the sea. It is an intensive and complex process to remove these. These isolated flood zones identify areas that could be vulnerable to flooding by groundwater in future.
5. The methods used are appropriate for a national-level analysis and inter-regional comparison of “potential exposure” to coastal hazards. The methods were not designed to assess the coastal-hazard exposure for purposes of resource-consent applications, applying planning rules, property valuation or land information memorandums for individual properties. Assessment of hazard-exposure at individual property scale should account for local factors, such as connectivity to the sea for example.
6. The underlying NIWA models have not been updated since 2019 and therefore do not identify properties which have been created since, e.g. through subdivision or new developments in at risk areas.

Glossary of terms

Term	Definition
Australian and New Zealand Standard Industrial Classification (ANZSIC)	A standard classification developed by the Australian Bureau of Statistics for use in Australia and New Zealand for the analysis of industry statistics.
Climate Change Solutions	The term “Climate Change Solutions” means lending to projects, assets or activities that are considered consistent with the investment required to transition the real economy to net-zero and address and prepare for the impacts of climate change. This includes (but is not limited to) lending to the categories of emissions reduction, energy efficiency, green buildings, renewable energy, low carbon transport, sustainable land use, biodiversity conservation, waste and forestry that align to the Green Loan Principles.
Climate Leaders Coalition	The Climate Leaders Coalition is a New Zealand CEO-led community of 90 organisations leading the response to climate change through collective, transparent, and meaningful action on mitigation and adaptation.
Climate Action 100+	Climate Action 100+ is an investor-led initiative to ensure the world’s largest corporate greenhouse gas emitters take necessary action on climate change.
Emissions Trading Scheme (NZ ETS)	The New Zealand Emissions Trading Scheme (NZ ETS) is a key tool for meeting our domestic and international climate change targets, including the 2050 target set by the Climate Change Response Act 2002. The NZ ETS requires businesses to measure and report GHG emissions and allows participants to sell emissions units to each other. The resulting price signal allows businesses to make economically efficient choices about how to reduce emissions.
Fat and protein corrected milk (FPCM)	Standard used for comparing milk with different fat and protein contents, to allow better comparison between farms and regions, reducing the difference between breeds or feeding regimes.
Glasgow Financial Alliance for Net-Zero (GFANZ)	Launched in 2021, the Glasgow Financial Alliance for Net-Zero is the world’s largest coalition of financial institutions committed to transitioning the global economy to net-zero greenhouse gas emissions. GFANZ is a global coalition of eight independent net-zero financial alliances, including the Net-Zero Banking Alliance.
Greenhouse Gas (GHG)	Greenhouse gases, including carbon dioxide and methane, are the gases in the atmosphere that raise the surface temperature of the Earth. What distinguishes them from other gases is that they absorb the wavelengths of radiation that a planet emits, resulting in the greenhouse effect.
Internal Capital Adequacy Assessment Process (ICAAP)	Required by the RBNZ for all locally incorporated banks, the ICAAP sets out the process adopted by Westpac NZ to determine the capital required to support its business strategy over the planning horizon, taking into consideration baseline and stress scenarios, and considering the risks it is exposed to.
International Energy Agency (IEA)	The IEA works with governments and industry to shape a secure and sustainable energy future by providing authoritative analysis, data, policy recommendations, and real-world solutions.

Term	Definition
Net-Zero Banking Alliance https://www.unepfi.org/net-zero-banking/	An industry-led and UN-convened group of leading global banks committed to financing ambitious climate action to transition the real economy to net-zero greenhouse gas emissions by 2050. Net-Zero Banking Alliance’s framework, guidance, and peer learning opportunities support members to design, set, and achieve credible science-based net-zero targets for 2030 or sooner that deliver value for their investors, clients, and customers. The Net-Zero Banking Alliance is the climate accelerator for United Nations Environment Programme Finance Initiative’s Principles for Responsible Banking (PRB) and the sector-specific alliance for banks under the Glasgow Financial Alliance for Net-Zero (GFANZ).
New Zealand Banking Association (NZBA) https://www.nzba.org.nz/	A forum for member banks to work together on non-competitive industry issues. It is a non-profit unincorporated organisation funded by member banks through subscriptions. Full membership of the Association is open to any bank registered under the Reserve Bank of New Zealand Act 1989. NZBA’s governing body is its Council, comprising the Chief Executive of each member bank. Member banks work with a small professional team to undertake NZBA’s work.
The Partnership for Carbon Accounting Financials (PCAF) carbonaccountingfinancials.com	The Partnership for Carbon Accounting Financials (PCAF) is a financial industry-led initiative. PCAF helps financial institutions assess and disclose the GHG emissions from their loans and investments through GHG accounting through their Financed Emissions Standard. It provides detailed methodological guidance for calculating financed emissions for different asset classes.
National Institute of Water and Atmospheric Research (NIWA)	A Crown Research Institute whose purpose is to enhance the economic value and sustainable management of New Zealand’s aquatic resources and environments, to provide understanding of climate and the atmosphere and increase resilience to weather and climate hazards to improve safety and wellbeing of New Zealanders.
New Zealand Standard Industrial Output Categories (NZSIOC)	The primary output view for all aggregated outputs for industry data collected using the 2006 ANZSIC codes.
Permanent Forest Sink Initiative (PFSI)	A government forestry programme that enables landowners to receive New Zealand Units for permanent forest sinks.
PHEV	Plug-in Hybrid vehicle.
Position statement	Position statements communicate the stance or approach that a company has on a specific topic.
Proceeds-based loan	A loan to a customer where the money borrowed, or an amount equivalent to it, must be spent on sustainable assets or activities that meet the Eligibility Criteria for Sustainable Finance Loans that Westpac NZ has determined align with internationally agreed sustainable finance principles for environmental lending and/or social lending e.g. used to finance a wind farm or social housing.

Glossary of terms

Continued

Term	Definition
Representative Concentration Pathways (RCPs)	RCPs, adopted by the Intergovernmental Panel on Climate Change, try to capture how our climate may change in the future by making predictions of how concentrations of greenhouse gases in the atmosphere will change in future as a result of human activities. The numerical values of the RCPs (2.6, 4.5, 6.0 and 8.5) refer to the concentrations in 2100.
Reserve Bank of New Zealand (RBNZ) – Te Pūtea Matua https://www.rbnz.govt.nz/	New Zealand’s central bank.
Risk Taxonomy	Westpac NZ’s Risk Taxonomy provides a single comprehensive view of the existing risks faced by Westpac NZ aligned to the Westpac Group Risk Taxonomy. This provides a common language for describing material risks and sub-categories of risk. Within our risk taxonomy, climate change is recognised as a financial risk under the credit risk class and a non-financial risk under the reputation and sustainability risk class.
Science-based Targets initiative (SBTi) Forest, Land and Agriculture (FLAG)	The SBTi’s FLAG Guidance provides a standard method for companies in land-intensive sectors to set science-based targets that include land-based emission reductions and removals. The SBTi FLAG Guidance offers a common, robust, science-based understanding on how much and how quickly a company needs to cut its land-related emissions in line with the Paris Agreement’s goal to limit global warming to 1.5°C.
Sustainable Finance Forum	The Sustainable Finance Forum was established by the Aotearoa Circle in 2018 to explore and create a roadmap (released in 2020) for building a sustainable financial system for Aotearoa by 2030.
Total Committed Exposure (TCE)	Total Committed Exposure (TCE) refers to the total amount of credit exposure a customer has been approved by Westpac NZ to have access to at any time.
Toitū net carbonzero certification	A programme verified by Toitū Envirocare to measure greenhouse gas emissions and manage, reduce, and offset impacts to achieve a neutral balance.
Task Force on Climate-related Financial Disclosures (TCFD) https://www.fsb-tcfid.org/recommendations/	The global Financial Stability Board (FSB) created the TCFD to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks—risks related to climate change.
Three Lines of Defence (3LoD)	The industry standard for managing risk. Each Line of Defence has a defined role that helps us deliver effective risk management outcomes. The 3LoD Model sets out how people are expected to act to proactively manage risk. <ul style="list-style-type: none"> • First Line: Own and manage end-to-end risks • Second Line: Risk specialists that provide independent oversight, insight, and control • Third Line: Independent assurance

Term	Definition
QEII National Trust (QEII) https://qeii-nationaltrust.org.nz/	An independent charitable trust that works with landowners to protect native biodiversity and cultural heritage values on land across NZ. QEII partners with landowners to protect biodiversity on private land, including whenua Māori. They do this by helping owners place a covenant over the land they want to protect.
Scope 1 emissions	Scope 1 emissions are the release of GHGs into the atmosphere as a result of Westpac NZ’s direct operations. See further details in our appendix on page 15.
Scope 2 emissions	Scope 2 operational emissions are indirect GHG emissions from the consumption of purchased electricity by Westpac NZ. See further details in our appendix on page 15.
Scope 3 operational emissions	Scope 3 operational emissions are indirect GHG emissions that occur in Westpac NZ’s supply chain (mandatory and additional), excluding Scope 3 financed emissions and Scope 3 facilitated emissions.
Scope 3 additional emissions	Scope 3 additional emissions are supply chain emissions we have included above the minimum Toitū Programme requirements as we deem these emissions to be material to our business. These include accommodation, data centre electricity usage, paper use, freight of cash and working from home.
Scope 3 mandatory emissions	Scope 3 mandatory emissions are mandatory supply chain emission sources required under the Toitū net carbonzero certification (Toitū) Programme. These include transmission and distribution losses, transport (air travel, non-fleet activity including taxi usage and private cars) and waste.
Stranded Assets https://carbontracker.org/terms/stranded-assets/	Stranded assets are now generally accepted to be those assets that at some time prior to the end of their economic life (as assumed at the investment decision point), are no longer able to earn an economic return (i.e. meet the company’s internal rate of return). This can be a result of changes associated with the transition to a low-carbon economy (lower than anticipated demand/prices). Or, in simple terms, assets that turn out to be worth less than expected as a result of changes associated with the energy transition.
1.5°C pathway to net-zero by 2050	A pathway to net-zero by mid-century, or sooner, including CO2-e emissions reaching net-zero at the latest by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100.
2022 Statement of Ambition https://climateleaderscoalition.org.nz/about/statement-of-ambition/	A statement issued by the Climate Leaders Coalition reflecting signatories’ desire to be climate leaders as science and policy evolves. Signatories are required to meet the statement by an agreed date.



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