

Westpac's approach to sustainable finance

Westpac is committed to sustainable finance, that is managing the environmental, social and governance ('ESG') dimensions of our finance and lending activities. This includes incorporating ESG risk analysis into the credit assessment and approval process for our business, corporate and institutional customers. The requirements for ESG risk analysis are outlined in Westpac's ESG Credit Risk Policy. The policy requires that ESG risk is considered in each stage of our credit cycle, as outlined below.

- **Origination:** Potential environmental and social risks (including direct, indirect and reputational) are identified via our sector strategy review process. For environmentally and socially sensitive sectors, we draw on internal and external expertise for insights on best practice, setting of risk appetite, risk management and performance measures. Where required, specific environmental and sector policies are established within our credit manuals to address identified risks and incorporate performance measures, undertakings and reporting obligations.
- **Evaluation:** The credit evaluation process assesses risks at a sector, customer and transaction level. Specific environmental and sector policies that encompass customer and transaction underwriting standards support this process. This ensures that all risks, including ESG risks identified in the sector strategy review are assessed as part of the credit evaluation process.
- **Approval:** Credit proposals are only approved on the basis that (in addition to our usual credit criteria) ESG risks have been analysed and evaluated against sector strategy, risk appetite and environmental and sector policies, including customer and transaction underwriting standards.
- **Documentation:** Credit approval may be subject to documented undertakings from our customer in relation to the management, monitoring and performance by the customer against agreed environmental and / or social performance measures and compliance with specific environmental and / or social, legal or regulatory obligations.
- **Monitoring:** The quality of credit facilities is monitored by undertaking regular customer and transaction reviews. Reviews include assessing the customer's compliance with any relevant environmental and / or social performance measures, undertakings and statutory reporting obligations reflected in the facility.

There may be instances where, in addition to applying the approach above, it is appropriate to publish specific position statements outlining our approach to providing financial services in areas of high environmental, social or reputational risk based on the level of public community concern and the magnitude of our involvement in the sector.

Westpac's ESG Credit Risk Policy, environmental policies, sector policies and position statements are subject to regular review.

