

Financing Agribusiness

June 2019

This statement outlines the Westpac Group's position on financing customers that cultivate, harvest, process or distribute products from agriculture.

Purpose

This position statement outlines the principles which we apply when providing finance or considering the provision of finance to customers in the agribusiness sector¹.

Agribusiness plays a fundamentally important role in providing food and other essential goods to people, driving economic growth, reducing poverty and supporting livelihoods and communities. Along with these benefits, Westpac Group recognises that activities in this sector may have environmental and social impacts which need to be responsibly managed. With a growing global population, rising living standards and changing consumer preferences continuing to create demand to intensify and expand areas used for agriculture – environmental and social risk management is increasingly important.

Scope

This position statement applies to the financing of corporate, institutional, and business banking customers in the agribusiness sector in all jurisdictions where Westpac operates.

Our Overall Approach to Sustainable Finance

We assess customers and transactions in accordance with our Sustainability Risk Management Framework. This includes incorporating environmental, social and governance (ESG) risk analysis into customer assessment, credit assessment and approval processes as outlined in our [Approach to Sustainable Finance](#). Policies and position statements form part of our Framework and are used to inform our approach to specific issues and sectors.

Our Principles for Doing Business

The Westpac Group's [Principles for Doing Business](#) outline our commitment to sustainable business practices.

As a major financial services company, we recognise the role we play in encouraging sustainable and responsible business practices, thereby enabling and facilitating a sustainable economy. We are therefore committed to:

- Identifying, assessing and managing the sustainability risks created through our relationships with agribusiness customers;
- Seeking to influence the adoption of sustainable and responsible business practices through our agribusiness customer relationships;
- Transparently disclosing to our stakeholders, our approach to addressing sensitive issues; and
- Building the capacity of our staff to understand and assess sustainability risks and opportunities.

Our Position

We require all of our customers to comply with applicable local, national, and international ratified laws and regulations, and to adhere to minimum industry standards.

We value customers that operate in ways that avoid or minimise environmental and social impacts; support the adoption of better management practices and technologies - particularly animal welfare, land and soil management, labour and community rights, biodiversity protection, emissions management and water use – and active participation in industry initiatives and roundtables which focus on improvement of environmental and social performance.

We recognise that the agribusiness sector has an important role to play in managing and mitigating the risks and opportunities associated with climate change. We will continue to endeavour to assist customers to meet the challenge of both transitionⁱⁱ and physicalⁱⁱⁱ risks associated with climate change; and to maximise opportunities to reduce greenhouse gas emissions arising from the adoption of new technologies and farming techniques.

We seek to develop relationships with customers that:

- Avoid adverse impacts on High Conservation Value^{iv} forests and use High Carbon Stock Approach^v assessments where appropriate.
- Avoid operations in UNESCO World Heritage Sites^{vi}, Ramsar wetlands^{vii} and critical natural habitats^{viii} (unless the activity is legally permitted and consistent with

management plans for the area).

- Avoid Illegal, Unrecorded and Unregulated (IUU)^{ix} fishing and related activities.
- Demonstrate commitment to best practice in the production of:
 - Palm oil, where we require growers, producers and processors to support Roundtable for Sustainable Palm Oil (RSPO) standards and demonstrate credible progress towards full certification within a satisfactory timeline, and commit to No Deforestation, No Peat and No Exploitation (NDPE) policies. For downstream sectors (manufacturers, traders or retailers) we encourage RSPO membership and procurement of Certified Sustainable Palm Oil (CSPO). Risks are assessed on a case by case basis;
 - Soy, where we require growers, producers and processors in higher risk geographies^x to support the Roundtable for Sustainable Soy (RTRS) and demonstrate credible progress towards full certification within a satisfactory timeline. For downstream sectors, namely manufacturers, traders or retailers of soy products, we encourage procurement of certified inputs. Risks are assessed on a case by case basis;
 - Timber, including that used for the production of pulp and paper products, where we require growers (forest managers) and processors to support the Forest Stewardship Council (FSC) or alternatively a national scheme endorsed under the Programme for the Endorsement of Forest Certification (PEFC); and demonstrate credible progress towards full certification within a satisfactory timeline. For downstream sectors, namely manufacturers, traders or retailers of timber products, we encourage procurement of certified inputs. Risks are assessed on a case by case basis; and
 - Other agro-commodities^{xi}, in which case we encourage the adoption of better management practices to reduce and minimise environmental and social impacts, and where appropriate, achieve certification under credible standards^{xii}.
- Uphold the rights of workers, including the right to fair wages and working conditions, in accordance with our [Human Rights Position Statement](#).
- Uphold the rights of local communities, including support for the principle of ‘free, prior, and informed consent’^{xiii}, in accordance with our Human Rights Position Statement.
- Have zero tolerance for ‘land grabbing’^{xiv}.
- Treat livestock with due care, in compliance with relevant jurisdictional animal welfare regulations and in line with industry best practices.

Westpac will not provide financial services in relation to:

- Growing tobacco or manufacturing tobacco-based products, as articulated in our Financing Tobacco Position Statement^{xv};
- Shark finning; or
- Commercial whaling.

We may make the decision not to on-board organisations as customers where, in our opinion, they do not adhere to the requirements of this position statement. With respect to existing customer relationships, we may look to exit this relationship in circumstances where the relevant organisation is not adhering to this position statement and where we do not believe that they are prepared to address any identified issues responsibly.

Supporting Policies, Commitments and Disclosures

This statement is designed to work in conjunction with Westpac Group's existing risk policies, including the Sustainability Risk Management Framework.

This statement is aligned with our commitment to the Soft Commodities Compact (SCC), New York Declaration on Forests and the Sustainable Development Goals of the United Nations.

End Notes

ⁱ Agribusiness refers to all businesses that cultivate, harvest, process, and distribute products from agriculture. It does not apply to traders that do not take possession of a physical commodity.

ⁱⁱ Transition risks arise out of policy, legal, technology and market changes to address climate change.

ⁱⁱⁱ Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns.

^{iv} High Conservation Values are defined by the FSC Principles and Criteria for Forest Stewardship International Standard (2015) See: <https://ic.fsc.org/en/document-center/id/59>.

^v Based on the HCS Approach, as defined by the 2016 HCS Convergence Agreement. See: <http://highcarbonstock.org/the-high-carbon-stock-approach/>.

^{vi} As listed on the UNESCO List of World Heritage Sites of natural and/or cultural significance. See: <https://whc.unesco.org/en/list/>.

^{vii} Ramsar Wetlands are those listed as Wetlands of International Importance by the Ramsar Convention on Wetlands. See: <https://www.ramsar.org>.

^{viii} Critical natural habitats include those registered as Category I by the International Union for the Conservation of Nature ("IUCN"). See: <https://www.iucn.org/theme/protected-areas/about/protected-area-categories>.

^{ix} Illegal, Unrecorded and Unregulated (IUU) Fishing is a broad term defined by the Food and Agriculture Organisation (FAO) Committee on Fisheries in the International Plan of Action to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing (IPOA-IUU). The definition includes but is not limited to: Illegal fishing in violation of national laws or international obligations, including those undertaken by cooperating States to a relevant regional fisheries management organization; Unreported fishing which has not been reported, or have been misreported, to the relevant national authority, in contravention of national laws and regulations; and unregulated fishing in a manner inconsistent with State responsibilities for the conservation of living marine resources under international law. See: <http://www.fao.org/iuu-fishing/international-framework/ipoa-iuu/en/>.

^x 'Higher risk' refers to environmental, social and governance risks in the broadest sense, including countries at higher risk of illegal forest conversion and / or potential social impacts such as 'land grabbing'.

^{xi} For example, grains and oilseeds, livestock and livestock products, horticulture, forestry products and fisheries products.

^{xii} For example, standards which are members of the ISEAL Alliance.

^{xiii} Free, prior, and informed consent as described in the United Nations Global Compact's Indigenous Peoples' Rights and the Role of Free, Prior and Informed Consent. See: <https://www.unglobalcompact.org/library/931>.

^{xiv} Based on the International Land Coalition (2011) Tirana Declaration: Securing Land Access for the Poor in Times of Intensified Natural Resources Competition, land grabbing is defined as 'large-scale land acquisition or concession which does one or more of the following: violates human rights, particularly those of women; flouts the principle of free, prior, and informed consent; takes place without or disregards a thorough assessment of social, economic, and environmental impacts; avoids transparent contracts with clear and binding commitments on employment and benefit sharing; or eschews democratic planning, independent oversight, and meaningful participation'.

^{xv} <https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/FinancingTobaccoMay2016.pdf>