

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. In line with the Westpac Risk Management Strategy and set out in Westpac's Sustainability Risk Management Framework, 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 ESG risks (including direct, indirect and reputational) are identified via our country and 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, country, 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 country and 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 and country strategies, 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 ESG performance measures and compliance with specific ESG, legal or regulatory obligations. Where appropriate terms will also include requirements of voluntary principles, such as the Equator Principles.
- **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 ESG 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 ESG or reputational risk based on the nature and extent of ESG impacts externally, level of public community concern and the magnitude of our involvement in the sector.

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