WESTPAC NEW ZEALAND CLIMATE REPORT

TOGETHER GREATER

For the year ended 30 September 2024

CONTENTS

Important Information

This information should be read together with the Important Notices on page 3. Please also read the guidance, assumptions and limitations throughout this report to aid your understanding.

Westpac New Zealand Limited (Westpac NZ)'s Climate Report presents information on Westpac NZ and its controlled entities. A list of Westpac NZ's controlled entities is included in Note 23 of our Disclosure Statement for the year ending 30 September 2024.

All figures and commentary relate to the full year ended 30 September 2024 unless otherwise stated. For more information on reporting methodologies and definitions, see the Additional Information on pages 41 to 52. All references to $ and dollars within the Climate Report are referring to New Zealand dollars.

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 being 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.

Statement of Compliance

This is Westpac NZ's first Climate Report required to be prepared in accordance with the Aotearoa New Zealand Climate Standards (NZ CS) issued by the External Reporting Board.

Westpac NZ is a Climate Reporting Entity under the Financial Markets Conduct Act 2013. The disclosures made in this Climate Report comply with the NZ CS.

In preparing this Climate Report, Westpac NZ has elected to use the following adoption provisions from the NZ CS:

- Adoption Provision 2: Anticipated financial impacts. This adoption provision exempts Westpac NZ from disclosing anticipated financial impacts of climate-related risks and opportunities, a description of time horizons over which the anticipated financial impacts could reasonably be expected to occur and, if relevant, an explanation as to why quantitative financial information cannot be disclosed.
- Adoption Provision 4: Scope 3 greenhouse gas (GHG) emissions for selected categories. This adoption provision exempts Westpac NZ from disclosing scope 3 GHG emissions or a subset of its scope 3 GHG emissions.
- Adoption Provision 6: Comparatives for metrics. This adoption provision exempts Westpac NZ from disclosing comparative information for the immediately preceding two reporting periods for some of the metrics disclosed in the current reporting period.
- Adoption Provision 7: Analysis of trends. This adoption provision exempts Westpac NZ from disclosing an analysis of the main trends evident from a comparison of each metric from previous reporting periods to the current reporting period.

On behalf of Westpac NZ on 29 November 2024:

Pip Greenwood
Chair of Board

David Green
Chair of Board Audit Committee

Measurement of emissions and other climate-related metrics.

This report outlines Westpac NZ's approach to managing climate change and transition to net-zero. This is an inherently challenging task, as scenario analysis, measuring GHG emissions and other climate-related metrics referenced in this report are necessarily based on estimates and judgements, inexact or limited data, and significantly limited by currently available technology and methodologies. This report contains disclosures that rely on early and evolving assessments of current and forward-looking information, incomplete and estimated data, and our related judgements, opinions and assumptions. 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. We caution reliance being placed on estimates and other representations that are necessarily subject to significant risks, uncertainties and/or assumptions. Climate change is an evolving challenge, with high levels of uncertainty and significant data challenges, particularly over long-term horizons. Descriptions of the current and anticipated impacts of climate change on Westpac NZ are necessarily estimates only.

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

Appendix 1: Scenario analysis narratives

Appendix 2: Operational emissions

Appendix 3: Financed emissions

Appendix 4: Exposure to heightened risks from sea-level rise

Appendix 5: Exposure to heightened risks from rainfall flooding.

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

Resetting our financed emissions base year.

In 2024, we reset our base year for financed emissions given the number of changes in the current year to the estimation of financed emissions. For more information on our base year reset, see the Financed emissions section on page 32.

Forward-looking statements.

This Climate Report contains climate-related and other forward-looking statements, including targets, commitments, climate scenario narratives, plans, forecasts, potential impacts, and assumptions, including as to potential global responses to climate change, government policies, regulatory developments, technological developments, and future management strategies. 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, 29 November 2024. 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 not eventuate and may be more or less significant than anticipated. They 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 sought to fairly present this Climate Report, and has prepared this report based on our current knowledge, expectations and intentions and in good faith, we give no representation, guarantee, warranty or assurance about the future business performance of Westpac NZ, or that the outcomes expressed or implied in any forward-looking statement made in this document will occur.

We may change our views and intentions in future as new information becomes available to us and we do not undertake to update the disclosures included in this Climate Report unless required to do so by law.

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. For further details see:

- **westpac.co.nz/home-loans-mortgages/options/greater-choices-home-loan/** for Westpac NZ's Greater Choices Home Loans
- **westpac.co.nz/personal-loans/ev-loan/** for Westpac NZ's EV personal loan offer
- **westpac.co.nz/business/products-services/loans-overdrafts/sustainable-business-loan/** for Westpac NZ's Sustainable Business Loan
- **westpac.co.nz/business/products-services/loans-overdrafts/sustainable-equipment-finance-loan/** for Westpac NZ's Sustainable Equipment Finance Loan; and
- **westpac.co.nz/agribusiness/sustainable-farm-loan/** for 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 NZ 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. Westpac NZ disclaims to the fullest extent possible any liability from loss arising from the content of this report.

Toitū te marae a Tane-Mahuta, Toitū te marae a Tangaroa, Toitū te tangata.

If the land is well and the sea is well, the people will thrive.

What we do today to look after the land and sea, will look after the people.

MESSAGE FROM THE CEO

As one of Aotearoa New Zealand's largest banks, we have an important role to play in supporting the country and customers to transition to a low-emissions, climate-resilient economy. Our purpose as a bank is "Creating Better Futures Together" and we are motivated to work with New Zealanders to take meaningful action on major collective challenges like climate change to safeguard Aotearoa for future generations.

We recognise that a net-zero economy by 2050 depends on urgent collective action. We are committed to engaging and collaborating with our stakeholders, including customers, communities, suppliers, industry groups and government, to advocate and progress climate action.

This year has been notable for the economic pressures that have impacted many families and businesses in New Zealand, as well as continued extreme weather events here and overseas. Internationally, climate action and disclosure requirements are increasingly demanded by regulators, consumers and investors, and in turn are becoming a requirement for Aotearoa's businesses to access global markets for exports and capital.

Helping our customers respond to this environment has been a focus for us. To position our business for a low-emissions, climate resilient future we developed our first Climate Transition Plan. The key pillars of this plan are supporting our customers to transition their operations, working to be a net-zero, climate-resilient bank and advocating action on climate change.

To support our customers to transition, we have continued to provide them with expert advice along with a range of sustainable lending options. One of these options is our Sustainable Farm Loan, which is intended to help our farmers and growers to respond to climate change and improve the resilience of their operations. Over the past 18 months, we have provided $3.6b - 43% of our agribusiness term lending - through this product.

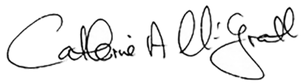
We also continue to work hard to support some of Aotearoa's biggest businesses to invest in lower emissions technologies. We have now provided lending for the construction of almost three-quarters of all grid scale solar generation capacity either completed to date or currently in progress across New Zealand.

In 2024, we set a new three-year target to increase sustainable lending to $9b, to support our business customers to achieve positive social and environmental outcomes. This target was set after we met our 2025 sustainable finance target two years ahead of schedule.

We have reduced our own operational emissions by 46% from our 2019 baseline. We have worked with 20 of our largest customers on their own climate transition plans and have continued to engage with the government and other external stakeholders to encourage urgent action on climate change. We also recognise the importance of understanding and managing both our climate-related financial risks and emerging risks such as natural capital degradation.

This year marks the fifth year that we have reported on our climate-related risks and opportunities, though it is the first year that doing so is a regulatory requirement under New Zealand's Climate-related Disclosures regime. We welcome the insights that climate reporting delivers.

Your feedback on what we are doing, as well as what more we could be doing, is welcome. Our actions today will deliver positive outcomes for generations to come: together we will work to make Aotearoa's future a sustainable and resilient one.



Catherine McGrath
Chief Executive Officer, Westpac NZ

2024 HIGHLIGHTS

Reduced operational emissions by 46.0% in 2024 vs our 2019 baseline categories (both environmental years ended 30 June).

Provided lending for the construction of almost three-quarters of all grid scale solar generation capacity either completed to date or currently in progress across New Zealand.

Developed our first Westpac NZ Climate Transition Plan, positioning ourselves towards a low-emissions, climate-resilient future state.

Enhanced our physical risk assessment capabilities, covering our residential mortgage portfolio's exposure to heightened risks from rainfall flooding.

Helped (as sustainability coordinator) to structure the Sustainability Bond of the Year Supranational, awarded to the Local Government Funding Agency at the Environmental Finance Sustainable Debt Awards 2024.

Engaged with 20 large customers on their transition plans, allowing us to understand where customers are on their transition journeys and how we can further support them.


NEED INFORMATION ABOUT OUR PERSONAL CREDIT CARDS, PERSONAL LOANS AND HOME LOANS?
DROP BOX SERVICE
All deposits, including Red bags can be made through our Smart ATM.
Red bags are cleared regularly and will be credited to the account overnight on business days.
Cash deposits made directly into our Smart ATM will be available in your account immediately.
If you have any questions, we're here to help.
THANKS FOR BEING CHEQUELESS
Security Notice
WESTPAC FOREIGN CURRENCY SERVICES

GOVERNANCE

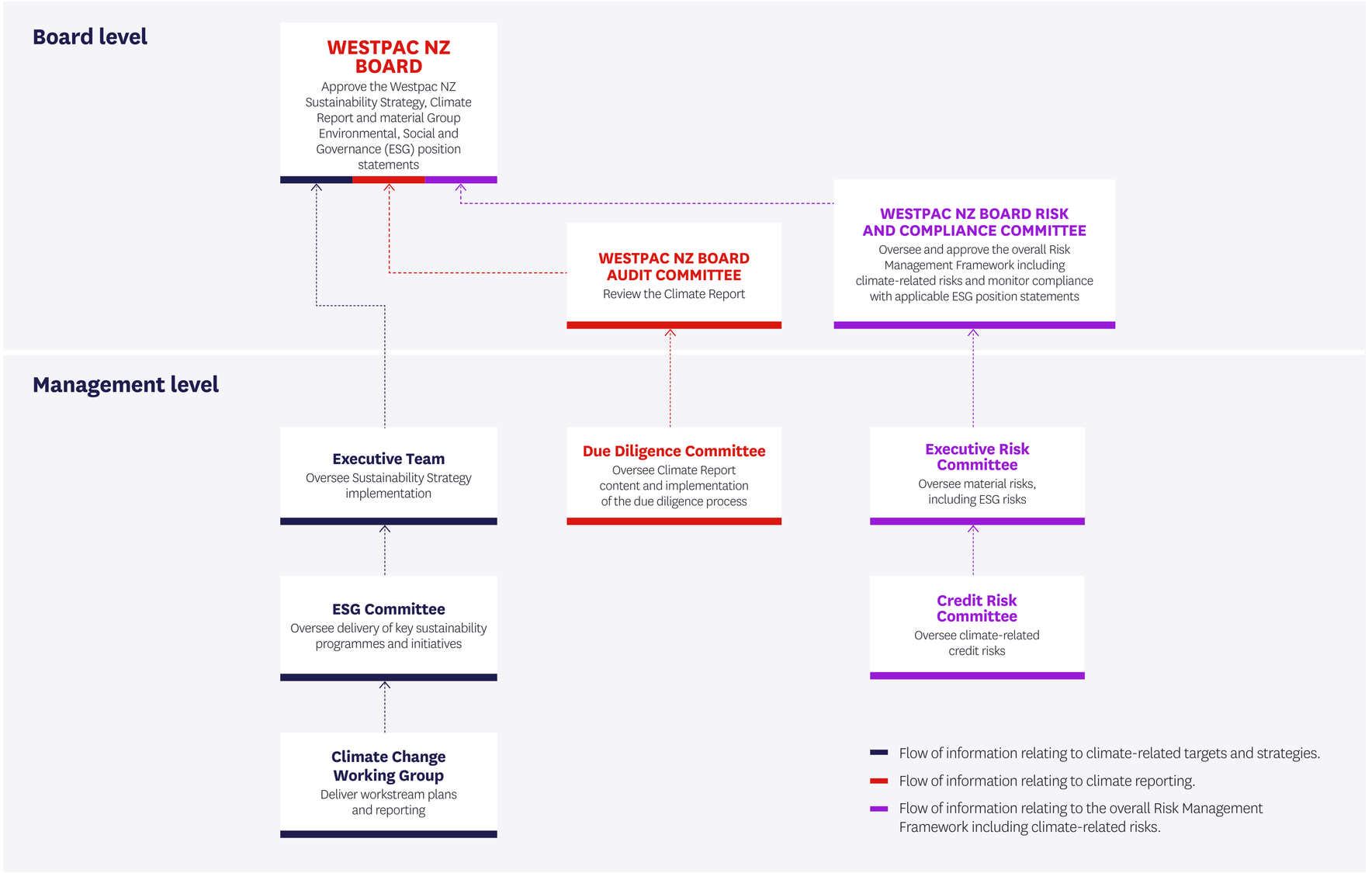
Climate governance at Westpac NZ

Our Board of Directors (Board) and Executive Team (ET) are responsible for managing the impact of climate change on our business. This ensures climate-related risks and opportunities are overseen at the most senior levels of the bank. In 2024, we have continued to embed climate-related risk management into our governance processes and operations.

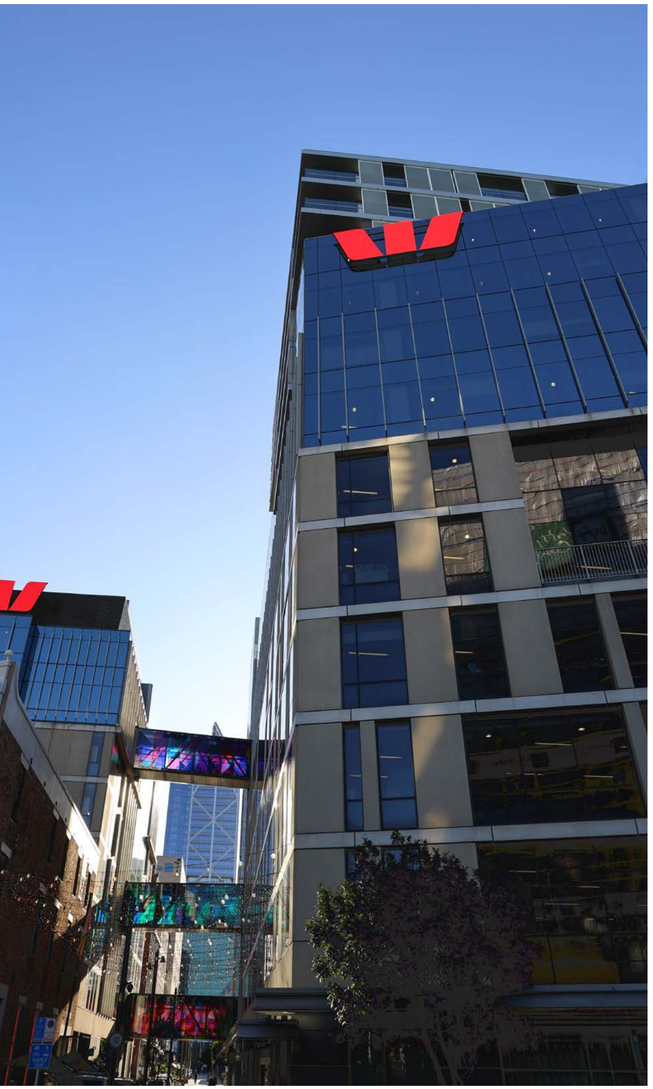
Climate governance structure.

Figure 1 shows how climate-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 our bank.

Figure 1: Climate governance structure.



The Board's role



Board oversight of climate-related risks and opportunities.

The Board is responsible for setting and overseeing delivery of Westpac NZ's strategy and risk management. The Board oversees our response to climate-related risks and opportunities and monitors progress against strategic targets. As part of its responsibilities, the Board approved the Westpac NZ 2025 **Sustainability Strategy** (Sustainability Strategy) and our 2027 **Sustainability Commitments** (Sustainability Commitments). The Board is supported in the oversight of climate-related risks and opportunities by the Board Risk and Compliance Committee (BRCC) and the Board Audit Committee (BAC).

The Board endorsed Westpac Banking Corporation's (WBC) approach and commitment to the Net-Zero Banking Alliance. For more information on the Net-Zero Banking Alliance commitments and targets, see the Metrics and targets on page 35.

The Board meets at least seven times a year, or more frequently if required. The Board engages and receives updates on sustainability in a variety of forms throughout the year. Throughout 2023 and 2024, these engagements included the annual Board Strategy Review, a climate scenario analysis session, progress updates against our Sustainability Strategy, approval of our Sustainability Commitments and Board education. The Board receives recommendations on climate-related matters from relevant ET members as required.

The BRCC has been delegated responsibility for the oversight of climate-related risk identification, assessment and management. The BRCC meets at least four times per year, or more frequently if required. Alongside these responsibilities, the BRCC reviews our Sustainability Risk Management Framework, which includes climate-related risk, every two years. If material climate-related risks arise, the BRCC may provide updates to the Board regarding those risks.

Our Climate Report is approved by the Board, upon recommendation from the BAC. The BAC meets four times per year, or more frequently if required. The BAC receives updates from the Chief Financial Officer (CFO) on the Climate Report and provides feedback once, or more frequently as may be required, on progress for climate reporting prior to recommendation to the Board for approval.

Board skills and competencies.

Overall Board and Board Committee performance is assessed annually. The 2024 assessment included various aspects relating to ESG, which includes climate.

The Board maintains a Board Skills Matrix which is reviewed annually. The ESG capability component of the Board Skills Matrix specifically addresses director experience in identifying and managing potential climate-related risks and opportunities. Directors undertake self-assessments annually against the Board Skills Matrix and the outcomes are presented to the Board for discussion, with the outcomes last presented to the Board in February 2024.

In December 2023, the Board and ET participated in a full day of tailored ESG training focused on managing risks and opportunities relating to climate change, natural capital and human rights. The training included sessions presented by external subject matter experts.

ESG training requirements are considered annually as part of the overall Board and Board Committee programme of work and forward-looking director education plan.

Board consideration of climate-related risks and opportunities in relation to strategy.

The Board receives six monthly updates from the General Manager Product, Sustainability and Marketing (GM PSM) on the implementation of the Sustainability Strategy, including sustainability products. The GM PSM has also sought Board approval for the Sustainability Commitments. Climate-related risks and opportunities were presented to the Board for consideration as part of its annual Board Strategy Review process. We are continuing our work to fully integrate climate into the strategic planning process.

Board monitoring of metrics and targets.

Updates on climate-related measures are included in the Board Risk Appetite Statement and are reported to the BRCC and the Board at least every six months. For more information on how we monitor climate-related risk, see the Risk management section on page 23.

Remuneration.

Our Chief Executive Officer (CEO) and ET remuneration includes a mix of financial and non-financial performance measures aligned to key strategic priorities, including climate.

CEO remuneration is approved by the Board annually on recommendation from the Board People and Remuneration Committee (BPRC). The Board approves CEO remuneration informed by performance against CEO Scorecard outcomes.

The BRCC and BPRC approve the Chief Risk Officer (CRO) remuneration measures annually. The remainder of relevant ET remuneration is approved annually by the BPRC on recommendation from the CEO. The CEO provides recommendations to the BPRC on the performance review and recommended remuneration outcomes for ET.

For more information on how climate-related performance measures are incorporated into remuneration, see the Metrics and targets section on page 40.

Management's role

Day-to-day management of climate-related risks and opportunities is delegated to ET members. Our ET receive advice from the business regarding the impact of climate-related risks and opportunities through the processes outlined below.

Table 1: Management's role.

	Role	Responsibilities	Process and frequency
Executive team members	Chief Executive Officer	Supports the Board in the oversight of climate-related risks and opportunities.	Presents the CEO report which includes updates on climate-related risks or opportunities as appropriate. As a member of the Executive Risk Committee (RISKCO), receives quarterly updates including climate-related risks as appropriate.
	Chief Financial Officer	Oversees the preparation of the Climate Report.	Reports to the BAC or the Board on the Climate Report, including planning, twice a year or more frequently if required. As Chair of the Due Diligence Committee (DDC), considers matters regarding the Climate Report twice a year or more frequently if required.
	Chief Risk Officer	Escalates material risks, including material climate-related risks, to the CEO, the Board and its committees.	Provides quarterly risk reporting to the BRCC on material risks, including material climate-related risks as required. As Chair of the RISKCO and as a member of the Credit Risk Committee (CREDCO), receives quarterly updates on climate-related risks as appropriate. As a member of the ESG Committee, receives monthly updates on the delivery of the ESG Programme of work (initiated in 2022 as a strategic response to the increasing risks posed by climate change) and receives updates as appropriate on sustainability targets, key position statements, relevant climate-related risks and action plans. As a member of the DDC, considers the Climate Report twice a year or more frequently if required.
	Managing Director Institutional and Business Banking	Oversees Westpac NZ's contribution towards Westpac Group's Net-Zero Banking Alliance targets (Net-Zero Banking Alliance targets) and delivery of Westpac NZ's sustainable lending targets. Ensures ESG risks in relation to Business lending are aassessed and, where necessary, escalated.	As a member of the ESG Committee, receives monthly updates on the delivery of the ESG Programme and updates as appropriate on sustainability targets, key position statements, relevant climate-related risks and action plans.
	General Manager, Product, Sustainability and Marketing	Manages development and implementation of the Sustainability Strategy by co-ordinating sustainability activities. Oversees delivery of material ESG position statements and action plans, including Westpac NZ's Climate Transition Plan (Transition Plan) and financed emissions. Facilitates alignment of the Sustainability Strategy and the business strategy and supports the Board's oversight of sustainability risks and opportunities through six monthly progress update.	Provides updates and recommendations to the ET and the Board as required to inform decision making. As Chair of the ESG Committee, receives monthly updates on the delivery of the ESG Programme and updates as appropriate on sustainability targets, key position statements, relevant climate-related risks and action plans.
Management-level committees	Due Diligence Committee	Oversees the preparation, due diligence and verification processes for our public disclosure documents, including the Climate Report, in accordance with Westpac NZ's Climate Report Due Diligence Policy. Consists of key ET members and is chaired by the CFO.	Meets to consider the Climate Report twice a year or more frequently if required. Reviews our Climate Report annually prior to its recommendation to the BAC and the Board. Recommends material changes to the Climate Report Due Diligence Policy to the Board at each biennial review.
	Environmental, Social and Governance Committee	Oversees the ESG Programme, selected sustainability targets, material ESG position statements and action plans including The Transition Plan. Consists of key ET members with specific accountabilities across a range of sustainability initiatives and is chaired by the GM PSM.	Meets monthly to oversee implementation of the ESG programme and discuss and endorse ESG-related recommendations to the ET.
	Climate Change Working Group	Supports the ESG Committee on climate-related aspects of our ESG Programme, sustainability targets, key position statements and provides feedback action plans including The Transition Plan. Consists of key stakeholders from across the bank.	Meets monthly to build awareness and capability across the bank, discuss ESG initiative progress and informs the ESG Committee. Does not engage directly with the Board, but informs the ESG Committee which reports information as detailed above.
	Executive Risk Committee	Oversees material risks across the bank, including climate-related risks. Consists of key ET members and is chaired by the CRO.	Meets quarterly, or more frequently, if necessary, to receive risk reporting from the business. Does not engage directly with the Board, but informs accountable individuals, such as the CEO and the CRO, in advising the Board or the BRCC on risk-related decisions as required.
	Credit Risk Committee	Oversees credit risks, including climate-related risks, that present a credit risk to our business and recommends enhancements to Risk Appetite Statements (RAS) and credit policies. Consists of accountable individuals who make credit risk decisions, and is chaired by the CRO.	Meets quarterly, or more frequently if necessary. Receives quarterly credit risk-related updates from the Credit Risk team. Provides updates where relevant to the RISKCO on credit-related risk, as a sub-committee of the RISKCO. Does not engage directly with the Board, but informs accountable individuals, such as the CRO, in advising the Board or the BRCC on credit risk-related decisions as required.

STRATEGY

Our business model

Westpac NZ is one of Aotearoa's largest financial institutions and has been offering banking services to New Zealanders since 1861. We now have more than 1.5 million customers, approximately 5,000 employees and footprints in communities nationwide. We provide a full range of retail and commercial services to help households, businesses, farmers and growers to achieve their financial goals. We are also the main banking service provider to the New Zealand Government.

We implement our business model through two key segments:

- The Consumer Banking and Wealth segment provides financial services predominantly for individuals. Products offered include residential mortgages, credit cards, personal loans, transactional accounts and retail deposits. This segment also distributes investments and third-party fire, general and life insurance products.
- The Institutional and Business Banking segment provides a broad range of financial services for small-to-medium enterprise, corporate, property finance, agricultural, institutional and government customers. Products include funding, sustainable financing, transactional accounts, deposit solutions and credit cards.

Our purpose and strategy

Westpac NZ's purpose is 'Creating Better Futures Together' by working in partnership to build a fairer and stronger Aotearoa for employees, customers and the communities we serve. Our multi-year business strategy is to deliver this purpose through key focus areas:

1. Power a sustainable Aotearoa: to activate customers and people so we are recognised for sustainability leadership, helping customers transition to more sustainable practices and adapt to climate-related risks.
2. Care for customers: to provide care for customers and communities showing we know, value, understand and act when they need us.
3. Fierce advocates for inclusion: to provide fairer access and greater opportunities for all, reflecting the true diversity of Aotearoa in our people and customers.

Enabling our strategy for profitable, sustainable growth are key initiatives to increase banker availability, enhance customer support, simplify and digitise the customer experience and further build our sustainable finance and advisory offerings.

Underpinning our strategy is excellent customer service and a commitment to meet our regulatory responsibilities.

Our Sustainability Strategy outlines our sustainability targets, including climate targets. Read more about our Sustainability Strategy in our **2024 Sustainability Report.**

Current impacts

Impact is the effect, or result, of a material climate-related risk or opportunity on Westpac NZ. A current impact is an impact that occurred within the current reporting period. An impact can be positive or negative and can be attributed to either physical or transitional climate-related risks or opportunities.

Physical and transition impacts on customers may affect their ability to operate and thrive in the transition to a low-emissions economy, impacting our business in turn if those customers are unable to meet their interest or repayment obligations to us. Significant capital investment is also needed to respond to climate change, which presents us with opportunities.

Westpac NZ did not experience material financial impacts from climate change for the year ended 30 September 2024. However, we know that customers are increasingly impacted by climate change. We also know that climate change is an important consideration which is expected to have a more significant impact on customers and our business in the future.

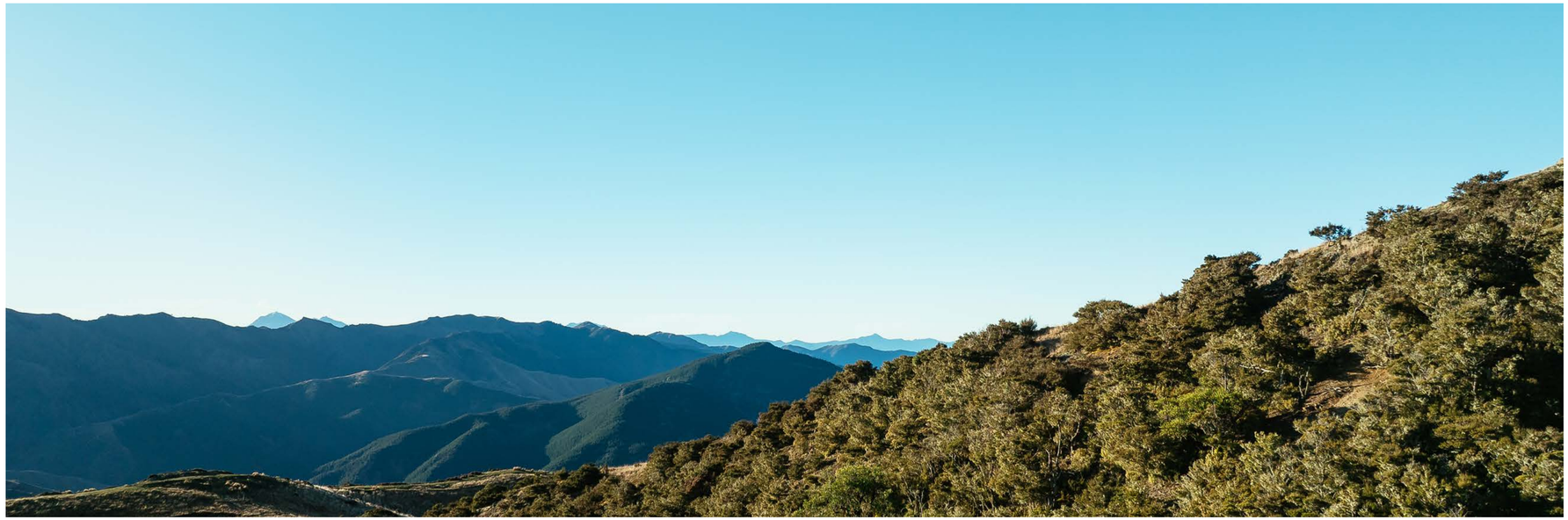
To determine the current impact of climate change on Westpac NZ, including financial impact, we used the following methodology:

1. we reviewed our identified risks and opportunities, to see whether they had been experienced in the current reporting period.
2. we considered whether there had been any climate-related:
   - acute or discrete events (e.g. physical storms affecting customers or our own premises)
   - changes to policy, regulation, market expectations, technology or reputational shifts
3. we analysed whether the impacts had a material financial impact on our operations and quantified where possible.

Table 2 covers the main current physical and transitional impacts Westpac NZ faced in 2024.

Table 2: Current climate-related impacts.

	Impact	Description
Physical	Flood damage	In 2024, the East Coast and Hawke's Bay regions experienced extreme weather events. We offered support to business and consumer customers who were impacted by extreme weather events in these regions. This support included temporary suspension of loan payments, temporary overdrafts and access to term deposits for customers in financial hardship. In 2024, 19 customers were provided natural disaster relief packages. While customers experienced material hardship such as flooding to homes and businesses, Westpac NZ did not experience a material financial impact to revenue because of these events.
Transition	Regulatory and compliance costs	We invested $482k to uplift our climate-related risk data and obtain external support to meet our NZ CS requirements. This uplift has also improved our understanding of climate-related risks and opportunities.
	Native forestry carbon credit purchase	We offset residual operational emissions using native forestry carbon credits to obtain Toitū net carbonzero certification. We are in the process of confirming the number of pre-purchased native forestry carbon credits that will be needed for FY24. For more information on emissions, see the Metrics and targets section on page 29.



Scenario analysis

Climate scenario narrative design.

In 2023, we developed scenario narratives based on the three scenarios outlined in Table 3, taking into account our business strategy and other key strategic documents with the assistance of an external consultant. Determining which scenario narratives to use was undertaken by subject matter experts (SMEs) from across the business, with the ESG Committee and GM PSM informed through their governing role.

We selected three plausible yet challenging scenarios in total:

- the Orderly Transition and Hot House World scenarios developed by the New Zealand Banking Association in their **Climate Scenario Narratives Report**. These scenarios helped us to identify areas where we can improve our response to rapid transition or extreme physical risks. We consider these scenarios to be appropriate to us as they were specifically developed for the New Zealand banking sector
- the third scenario selected was based on the Too Little, Too Late scenario set by the Reserve Bank of New Zealand/ Te Pūtea Matua (RBNZ) in its **2023 Climate Stress Test**. We decided to use this scenario because it was designed to be useful for the New Zealand banking sector. We then translated this scenario to a narrative format so it could be used alongside the other two scenarios.

A summary of the three scenarios can be found in Table 3. For more information on these scenarios, see Appendix 1: Scenario analysis narratives on page 42. We did not repeat our scenario construction in 2024.

Initial climate scenario analysis.

Initially, our SMEs undertook a scenario analysis exercise, testing our business strategy and Sustainability Strategy against the Orderly Transition, Too Little, Too Late and the Hot House World scenarios. This process was conducted as a standalone exercise and was not considered as part of the annual Board Strategy Review process. We undertook a primarily qualitative approach to scenario analysis, informed by targeted quantitative analyses on areas of interest. We did not undertake internal modelling for these scenarios.

Board and ET climate scenario analysis.

In 2024, we held separate scenario analysis sessions with our ET and Board. These sessions were intended to capture insights on key climate-related risks and opportunities, which we considered could impact customers and our business (anticipated impacts) and to test how our current business strategy would perform. We subsequently analysed the actions Westpac NZ could take in response. The ET and the Board considered the Orderly Transition and Too Little, Too Late scenarios. However, while the Board were provided with the "Hot House World" scenario, it was not included in these sessions, enabling deeper analysis of the first two scenarios.

These key risks and opportunities identified in the workshop were analysed against our business strategy and informed the development of our Transition Plan. The key risks and opportunities were also considered alongside the annual Board Strategy Review process.

Table 3: 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	New Zealand Banking Association's Orderly scenario: Intergovernmental Panel on Climate Change (IPCC) SSP1-1.9.	Network for Greening the Financial System Delayed Transition for transition risk: IPCC SSP2-4.5 Network for Greening the Financial System Current Policies for physical risk: IPCC SSP2-4.5.	New Zealand Banking Association's Hothouse scenario: IPCC SSP5-8.5.

Climate-related risks and opportunities

As part of our scenario analysis workshops, we identified the key risks and opportunities which we reasonably anticipate to impact customers and our organisation.

Table 4 on the next page describes these risks and opportunities, their reasonably anticipated impacts under different climate scenarios and the time horizons they are likely to occur under. For more information on our risk management processes, see the Risk management section starting on page 23.

How climate-related risks and opportunities feed into processes.

At Westpac NZ, we define our time horizons as short term (0-1 year), medium term (1-5 years) and long term (5 years+). These time horizons were chosen as they encompass business strategy and operational planning timeframes. Our long-term horizon also allows for a period that covers the potential extended time horizons when significant physical risks are likely to occur, particularly relevant for the agriculture, property and energy sectors.

Climate-related risks and opportunities serve as inputs to our capital deployment and funding decision-making processes via our annual business forecast processes (1 year), Board Strategy Review process (3-5 years) and Internal Capital Adequacy Assessment Process (5 years).

The Board Strategy Review process serves as an opportunity to review and adapt our strategy in response to changes in the external environment. As part of the process, we review our climate-related risks and opportunities which input into future capital deployment with initiatives that support our business strategy. The annual business forecast processes further refine and prioritise the future year's capital expenditure across identified initiatives.

Anticipated financial impacts of climate-related risks and opportunities.

Westpac NZ has elected to use Adoption Provision 2: Anticipated financial impacts. In 2024, we have not disclosed the anticipated financial impacts of climate-related risks and opportunities reasonably expected by Westpac NZ and the time horizons over which the anticipated financial impacts of climate-related risks and opportunities could reasonably be expected to occur.

Table 4: Climate-related risks and their reasonably anticipated impacts for Westpac NZ.

Time horizons	
Short	1 year
Medium	1-5 years
Long	5+ years

Key:
- These risks present significant impacts and/or have a high likelihood of occurring under a given scenario
- These risks present moderate impacts and/or have a moderate likelihood of occurring under a given scenario
- These risks present limited or no impacts and/or have a low likelihood of occurring under a given scenario

Transition plan pillar - our strategic ambitions	Risk class	Risk name	Physical or transition risk	Description of risk	Reasonably anticipated impacts under scenarios			Time horizon of risk			Reasonably anticipated impacts to Westpac NZ
					Orderly	Too Little Too Late	Hothouse	S	M	L	
Operations Be a net-zero climate-resilient bank	Financial	Access to funding	Transition	Risk that traditional capital providers will not support Westpac NZ or will materially increase cost of funding due to concern that Westpac NZ is not addressing climate change risks	🟢	🟠	🔴			✓	Decreased growth Lower net interest margin
	Reputational	Greenwashing	Transition	Negative media attention and legal cases due to a perceived difference between targets and action on climate change or any other greenwashing issues	🟠	🟠	🟠	✓	✓	✓	Decreased market share Decreased public trust and confidence in Westpac NZ Decreased growth Recruitment and retention costs Legal costs
	Operational	Talent loss	Transition	Significant number of disillusioned employees leave the bank due to a perceived difference in values and/or inability to attract new staff (particularly with subject matter expertise)	🟢	🟢	🟠	✓	✓	✓	Recruitment and retention costs Decreased public trust and confidence in Westpac NZ
		Operational disruption	Physical	Risk that Westpac NZ's branches, data centres, offices or other material sites are subject to a major physical event and therefore staff and customers cannot carry out business as usual activities	🟠	🟠	🔴	✓	✓	✓	Cost of purchasing alternative assets Infrastructure repair and replacement Decreased growth Reduced asset value
	Regulatory and compliance	Rapid regulatory change	Transition	Rapid regulatory action is taken to reduce emissions and/or adapt to climate change which impacts either our operations or customers	🔴	🟠	🟢	✓	✓	✓	Decreased long-term growth Compliance costs Legal costs

Table 4: Climate-related risks and their reasonably anticipated impacts for Westpac NZ (continued).

Time horizons	
Short	1 year
Medium	1-5 years
Long	5+ years

Key: 🔴 These risks present significant impacts and/or have a high likelihood of occurring under a given scenario 🟡 These risks present moderate impacts and/or have a moderate likelihood of occurring under a given scenario 🟢 These risks present limited or no impacts and/or have a low likelihood of occurring under a given scenario

Transition plan pillar - our strategic ambitions	Risk class	Risk name	Physical or transition risk	Description of risk	Reasonably anticipated impacts under scenarios			Time horizon of risk			Reasonably anticipated impacts to Westpac NZ
					Orderly	Too Little Too Late	Hothouse	S	M	L	
Customers Support customers to transition	Credit	Impairment and insolvency	Physical and Transition	Customers may be impacted by both physical and transition risks which will impact their ability to service debt	🟡	🔴	🔴			✓	Actual credit losses Increased growth Increased provisioning for potential credit losses
		Insurance retreat	Transition	Customers may face physical risks leading to a loss of access to insurance, increasing credit risk for Westpac NZ	🟡	🔴	🔴		✓	✓	
	Reputational	Inequitable transition	Transition	Vulnerable customers and communities could face hardship through regional and industry specific unemployment and disproportionate climate impacts	🟡	🟡	🔴	✓	✓	✓	Decreased growth Increased provisioning for potential credit losses
		Customer loss	Transition	Risk that customers leave Westpac NZ due to perceived lack of response to address climate change	🟢	🟢	🟡		✓	✓	Decreased public trust and confidence in Westpac NZ Decreased growth Decreased market share

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 continue to track the sectors with significant exposure to transition and physical risks as shown in Table 5.

While we acknowledge these sectors are exposed to heightened physical and/or transition risks, this varies significantly from customer to customer. We also acknowledge that customers outside of these sectors can be exposed to heightened transition and/or physical risks.

Table 5: Reasonably anticipated risks and impacts for lending in key industries.

Industry sector (based on Australian and New Zealand Standard Industrial Classification (ANZSIC) code)	**Climate-related risks**	**Reasonably anticipated impacts to sectors**
Agriculture and forestry · Dairy · Forestry · Sheep and beef farming · Horticulture · Arable land	Mix of physical risks, (e.g. drought, fire, flooding, erosion, storms) and transition risks, (e.g. changing consumer preferences, regulation).	Drought, flooding and storms can impact farm productivity and also increase costs, affecting profitability. 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 emission budgets. Anticipated emissions pricing provides an additional financial incentive to decarbonise.
Oil and gas Includes mining and production, supply and retail. Note, we have ceased lending to the coal mining sector, with residual remediation bonds of Total Committed Exposure (TCE) $0.1m remaining	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 gradually over the coming decades with the electrification of transport.
Power generation Includes 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. Despite some remaining barriers, investment in new renewable generation is accelerating.
Transport Includes 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).	Low-emissions assets generally have higher upfront cost but lower running costs make the transition a finance challenge. While low-emissions technology is advancing rapidly, some barriers still need to be resolved to accelerate wider uptake.

Table 6: Climate-related opportunities and their reasonably anticipated impacts for Westpac NZ.

Time horizons	
Short	1 year
Medium	1-5 years
Long	5+ years

Key: ● These opportunities present significant impacts and/or have a high likelihood of occurring under a given scenario ● These opportunities present moderate impacts and/or have a moderate likelihood of occurring under a given scenario ● These opportunities present limited or no impacts and/or have a low likelihood of occurring under a given scenario

Transition plan pillar - our strategic ambitions	Opportunity class	Opportunity name	Physical or transition risk	Description of opportunity	Reasonably anticipated impacts under scenarios			Time horizon of risk			Reasonably anticipated impacts to Westpac NZ
					Orderly	Too Little Too Late	Hothouse	S	M	L	
Operations Be a net-zero, climate resilient bank	Regulatory and compliance	Rapid regulatory change	Transition	Rapid regulatory action is taken to reduce emissions and/or increase resilience to climate change, providing opportunities to support customers' transition	●	●	●	✓	✓	✓	Increased resilience Reduced credit risk Increased growth
Customers Support customers to transition	Customer	Deepen customer relationships	Transition	Leverage climate-related data to improve our understanding of customers' resilience, deepen relationships and support customers to transition	●	●	●	✓	✓		Increased growth Increased public trust and confidence Increased resilience Reduced credit risk
	Market leadership	Identify new growth areas	Transition	Identify sectors requiring more financing	●	●	●	✓	✓		Increased growth Increased market share
		Integrating climate, nature and just transition	Transition	Show market leadership by integrating climate, nature and just transition	●	●	●	✓	✓		Increased public trust and confidence

Table 6: Climate-related opportunities and their reasonably anticipated impacts for Westpac NZ (continued).

Time horizons	
Short	1 year
Medium	1-5 years
Long	5+ years

Key:
- These opportunities present significant impacts and/or have a high likelihood of occurring under a given scenario
- These opportunities present moderate impacts and/or have a moderate likelihood of occurring under a given scenario
- These opportunities present limited or no impacts and/or have a low likelihood of occurring under a given scenario

Transition plan pillar - our strategic ambitions	Opportunity class	Opportunity name	Physical or transition risk	Description of opportunity	Reasonably anticipated impacts under scenarios			Time horizon of risk			Reasonably anticipated impacts to Westpac NZ
					Orderly	Too Little Too Late	Hothouse	S	M	L	
Advocacy Be relentless advocates	Reputational	Advocate for change	Transition	Support the transition to a low-emissions, climate-resilient economy by leveraging our size and market position to advocate for change with the public sector, customers and wider society	●	●	●	✓	✓	✓	Reduced credit risk Increased resilience
	Operational	Climate leadership	Transition	Position ourselves to become a climate leader through transparency and action, seizing opportunities presented by the transition	●	●	●		✓	✓	Increased public trust and confidence Increased market share Attract and retain staff
		Reposition early	Transition	Adapting and repositioning early in response to challenges, pivoting in view of 2050	●	●	●	✓	✓		Increased public trust and confidence Increased growth Increased resilience Reduced credit risk

Transition Plan

Our Transition Plan outlines:

- our strategic ambition to become a net-zero, climate-resilient bank, while supporting customers to become net-zero and climate-resilient themselves, including our short-term targets and actions for how we will work towards achieving our ambitions; and
- how we propose to respond to the risks and opportunities posed by climate change, including how our business model and strategy might change to mitigate our climate-related risks and seize opportunities.

Our Transition Plan is established under three core pillars:

1. **Operations - Be a net-zero, climate-resilient bank**
2. **Customers - Support customers to transition**
3. **Advocacy - Be relentless advocates.**

These pillars include a number of interlinked initiatives, which cover the entire business, as summarised in the section below. Staging and phasing of some initiatives may change over time as we transition, as climate impacts increase and as we gain more knowledge and data. Initiatives bring together actions to deliver our business strategy including our key focus area to 'Power a sustainable Aotearoa', Sustainability Strategy, the Westpac NZ adopted Climate Change Position Statement and Action Plan and our commitments as a member of the Climate Leaders Coalition.

How we are positioning ourselves for the climate transition.

Our goal in transition planning is to help our bank and the communities and businesses we serve to be prepared for the impacts of climate change. This includes ensuring our lending, procurement and internal investment is in the right place. We are also positioning ourselves and supporting customers, to seize the opportunities presented by the transition to a low-emissions, climate-resilient economy.

The strategic aims of our Transition Plan (to become a net-zero, climate-resilient bank, while supporting customers to become net-zero and climate-resilient themselves) align with our business strategy key focus areas, including 'Fierce advocates for inclusion', 'Care for customers' and 'Power a sustainable Aotearoa'.

We will continue to align the strategic aims of our Transition Plan with our key focus areas, as we continue to embed and operationalise our Transition Plan.

We have established new tracking and internal reporting of our Transition Plan and initiatives through the ESG Committee, as set out in the Governance section on page 9.

We will periodically review both the strategic aims of our Transition Plan and the initiatives and deliverables that sit within it, as we continue to learn more about how climate change may impact our business and customers.

How our Transition Plan aligns with capital deployment.

Our Transition Plan includes initiatives that directly or indirectly require capital expenditure. Allocation of capital expenditure and project funding is considered on an initiative-basis as part of annual business planning cycles or as part of the wider annual Board Strategy Review process.

This year we deployed our own capital in alignment with strategic commitments to reduce operational emissions in many areas including switching to a net zero-emissions data centre contract, retail branch EV chargers and solar panels. We also improved systems and processes to support climate reporting and climate-related risk management capabilities for greater transparency and improved resilience to climate impacts.

Incorporating climate considerations into lending decisions and portfolio analysis.

In 2024, we primarily deployed capital through our lending to our customers. Details on our priorities for implementing our Transition Plan by helping our customers to transition are set out in Table 7 below. An example of this is Westpac NZ continuing to seek opportunities to help the energy sector transition to a low emissions economy through financing new renewable energy projects. We have provided lending for the construction of almost three-quarters of all grid scale solar generation capacity either completed to date or currently in progress across New Zealand.

We have also invested in data to support emissions analysis throughout 2024 and will continue to investigate how to integrate climate risk data into our systems. We are continuing to improve data and systems critical to enabling our proactive management of climate-related risks, in order to meet customer and regulatory expectations.

We assess ESG risks for all transaction managed business lending (over $1m or other lending that is more complex) and will continue to do so under our ESG Credit Policy. As part of our ESG credit risk assessment process, bankers consider whether customers are exposed to material climate-related risks, among other relevant ESG risks. This process enables us to better understand and evaluate financial risks, but also offers insights into how we can help customers manage their transition. For more information on our ESG assessments, see the Risk management section on page 26.

For more information on capital deployed to help mitigate climate-related risks, see the Metrics and targets section on page 40.

Figure 2: Our transition journey.

Climate action has been a part of Westpac NZ's focus for some time, beginning in 2008.

2008
- Westpac Group published its first Climate Change Position Statement
- Began measuring our emissions

2009
- Published our first Sustainability Strategy

2018
- Commissioned the Climate Change Impact Report

2019
- Issued the first and only green bond by a New Zealand bank

2020
- Began reporting voluntarily on our climate-related risks and opportunities

2022
- Westpac Group joined the Net-Zero Banking Alliance

2023
- Established our first New Zealand-specific Climate Change Plan
- Set 2030 targets for New Zealand dairy, sheep and beef in line with Westpac Group's Net-Zero Banking Alliance commitment
- Completed our first climate scenario analysis
- Undertook the RBNZ Climate Stress Test

2024
- Developed our first Transition Plan aligned to the NZ CS and emerging guidance
- Assessed and engaged with 20 large customers on their transition plans.

Table 7: Transition Plan snapshot.

Pillar - our strategic ambitions	Illustrative initiatives	2024 highlights	2025 and beyond
1. Operation - Be a net-zero, climate-resilient bank	Reduce operational emissions in line with 1.5°C	Reduced our operational emissions by 46.0% from our 2019 baseline (both environmental years ended 30 June), remained Toitū net carbonzero certified and increased our operational emissions reduction ambition under our new 2027 Sustainability Commitments	Continue to reduce operational emissions in line with 1.5°C pathway to net-zero by 2050, in line with our Sustainability Commitments, targeting a: • 40% reduction of Scope 1 and 2 emissions by 2027 (from a 2019 baseline) • 40% reduction of Scope 3 operational emissions for baseline categories by 2027 (from a 2019 baseline)
	Ensure alignment to Westpac Group's Climate Change Position Statement and Action Plan and implement Net-Zero Banking Alliance targets	Westpac Group now has targets in all nine emissions intensive sectors required under the Net-Zero Banking Alliance commitment. We continued to implement our sector-level plans to support customers to reduce their emissions through levers including our Sustainable Farm Loan and our engagements on customers' transition plans	Contribute to Westpac Group's Net-Zero Banking Alliance commitment and targets to reduce financed emissions
	Ensure full strategic alignment of our Transition Plan	Established our Transition Plan	Review our Transition Plan periodically
	Establish a business-wide climate-related risk management framework	Established our Climate Risk Policy (CRP)	Continue to manage climate-related risks under our CRP
	Embed climate considerations into our lending decisions and portfolio analysis	Completed 'Phase 2' of the RBNZ's Climate Stress Test	Investigate integration of climate-related risk data into our systems
2. Customers - Support customers to transition	Provide sustainable finance solutions to support customers	Total sustainable lending to business customers is $7.0b, including $3.6b of sustainable lending to agribusiness customers, as at 30 September 2024 Improved our understanding of how best to reduce financed emissions through targeted product solutions or specialist advice Launched the Sustainable Equipment Finance Loan	Increase sustainable lending to $9b at 30 September 2027 to support our business customers to achieve positive social and environmental outcomes Aim for $4.2b of the $9b sustainable lending to be for agribusiness customers Develop more sustainable finance solutions to help business customers play their part in addressing social and environmental challenges in Aotearoa
	Engage with large customers on their transition plans and provide ESG guidance and support	Assessed and engaged with 20 large customers on their transition plans	Continue to engage with large, high emitting and/or climate vulnerable customers to support their transition
	Build internal capability to support customers on climate	Rolled out the EY Sustainability Academy learning programme to all employees	Continue to build the capability of our employees on climate-related matters specific to their roles
3. Advocacy - Be relentless advocates	Engage with industry and government on climate policy and regulation	Submitted on the Government's second emissions reduction plan consultation	Continue to engage with industry and government to shape the public policy response to climate change, with the aim of supporting our national transition and customers' transitions, to a low-emissions, climate-resilient future
	Climate leadership and advocacy for climate action among customers and society	Launched our Sustainable Future Series to enable public-private collaboration and drive solutions towards a sustainable future for Aotearoa. The first event was held in September 2024 with the Minister of Climate Change, a selection of customers and participants and the electricity distribution sector Continue to be a foundation sponsor of the Climate Change and Business Conference (CCBC) and the main sponsor and host of the KangaNews - Westpac NZ Sustainable Finance Summit	Continue to have an active voice in relation to climate-related matters
	Partner and collaborate for impact	Partnered with NZ Landcare Trust to distribute six $10k grants to catchment groups around the country to help improve local waterways	Continue to seek partnerships and collaborate for positive climate impact
	Advocate for the integration of nature and for a just and orderly transition	Partnered with the Sustainable Business Network to deliver a Nature and Business Symposium, at which Westpac NZ representatives spoke on the role of the finance sector in enabling the nature-positive transition	Continue to implement our Natural Capital Action Plan including identifying where nature and climate change intersect to better support customers

Provide sustainable finance solutions.

We have a range of sustainable lending products across customer segments which can be used to support customers to invest in assets and projects which can help to reduce their emissions and/or build resilience to climate change impacts below.

Supporting institutional customers.

To help institutional customers accelerate their transition, we provide tailored sustainable finance solutions. These include green loans and green bonds, namely financing or refinancing assets or activities with environmental benefits.

Sustainability-linked loans incentivise customers by linking the interest rate on their finance to their sustainability performance. Customers are rewarded with a lower interest rate if they achieve their agreed sustainability targets (which often include emissions reduction targets) and pay a higher interest rate where targets are missed.

Sustainable Farm Loan.

This loan was designed to support customers to increase resilience to climate change impacts, reduce GHG emissions and help incentivise more sustainable farming practices.

Some examples of how farmers are using the loan are to:

- prioritise investment in flood and drought mitigation
- invest in new technologies to reduce emissions
- improve farm management (e.g. planting more efficient crops or choosing renewable energy sources).

With the Sustainable Farm Loan, we support customers from day one with a special interest rate across all term debt associated with the farm. Customers then have a two year transition period to meet our Sustainable Farm Standard.

Sustainable Equipment Finance Loan.

This loan was designed to support customers to reduce their climate impacts through purchasing sustainable equipment, namely electric, hydrogen fuelled or low-emissions equipment.

Sustainable Business Loan.

This loan was designed to offer a preferred lending rate for sustainability investments. Customers can invest in a wide range of sustainable assets and activities that reduce GHG emissions, support communities to adapt to the impacts of climate change or help deliver other environmental or social outcomes.

Greater Choices Home Loan.

This loan offers home loan customers with lending up to $50,000 interest-free for five years to make their homes and transport more energy efficient.

The EV Loan.

This loan helps customers reduce their carbon emissions and running costs by purchasing more environmentally friendly vehicles. This loan allows applicants to borrow up to $50,000 at a special interest rate for a new or used electric/hybrid car, e-moped or e-bike.

Engage with large customers on their transition plans.

We believe customers' future success will be influenced by how well they plan for the transition to a low-emissions, climate-resilient economy. Regardless of whether businesses have mandatory NZ CS obligations, transition planning is a tool which any business can use to identify opportunities to take greater action on climate change, set and meet targets and commitments and build resilience to potential climate-related risks. Engaging with customers and supporting them to undertake transition planning can help to ensure they remain 'future fit'.

In 2024, we updated and formalised our Customer Transition Plan Framework (CTP Framework), following the successful pilot in 2023. We assess customers based on customer disclosures and the relationships we have with them. Customers may not necessarily have yet disclosed a 'transition plan' as defined in the NZ CS. Our CTP Framework is informed by the NZ CS published by the External Reporting Board and the Disclosure Framework published by the Transition Plan Taskforce, consisting of five main elements.

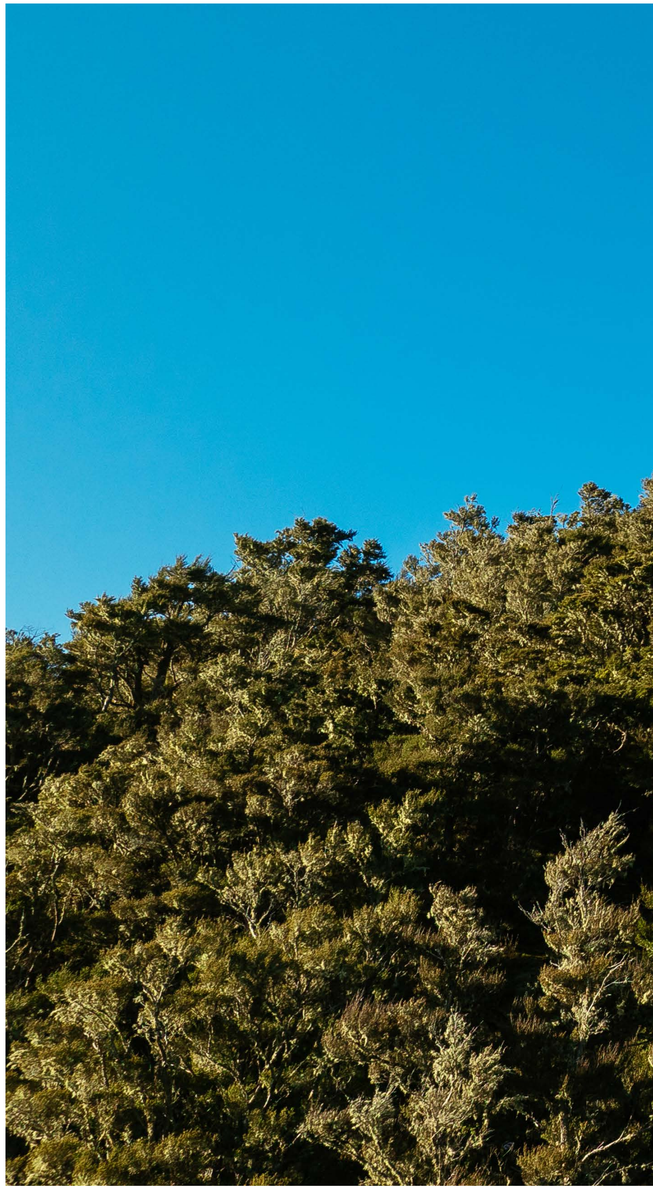
Table 8: Framework for assessing customer transition plans.

Elements	Areas of assessment
Foundations	1. Risks and opportunities
Implementation strategy	2. Business and strategy 3. Emissions reduction initiatives 4. Capital expenditure
Engagement strategy	5. Engagement with value chain
Metrics and targets	6. Long-term GHG targets 7. Interim scope 1 and 2 GHG targets 8. Interim scope 3 GHG targets 9. Planned use of carbon credits 10. Reporting of progress 11. External Assurance
Governance	12. Board oversight and capability 13. Incentives and remuneration 14. Skills, competencies and training

We use the CTP Framework as a tool to support engagement with customers. This Framework allows us to assess the transition maturity of a selection of higher emissions customers and customers who may be subject to higher climate-related risks. For our 2024 engagements, we selected customers based on a range of factors, such as gross emissions, financed emissions and overall exposure to climate-related risks.

2024 progress on engaging with customers on their transition plans.

In 2024, we have assessed and engaged with 20 customers using the CTP Framework. We have deliberately chosen to focus on a smaller number of customers, in favour of in-depth conversations. We believe these engagements result in a greater ability to provide targeted support.



RISK MANAGEMENT

Overview

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

We have adopted the Westpac Group Sustainability Risk Management Framework (SRMF) with a supporting addendum outlining how the framework applies to Westpac NZ and any differences. The SRMF and the supporting addendum set out our approach to climate-related risk, defining roles and responsibilities in line with our Three Lines of Defence (3LoD) Model Standard. The SRMF is reviewed annually by the SRMF owner, approved by the BRCC every two years and evolves as our needs and expectations evolve. Risk Class Framework Owners are responsible for providing second line oversight of the risk class, including embedding the SRMF, which is owned by the Chief of Enterprise and Operational Risk.

Our CRP, approved in May 2024, sets out requirements to ensure that climate-related risks are appropriately identified, assessed, managed and disclosed across our bank, underpinned by the SRMF. It sets principles for how we seek to understand material climate-related risks and provides requirements for consideration of climate-related risks, opportunities and impacts in strategic planning and review activities. Material climate-related risks are defined in the CRP as climate-related risks, that if material, would cause a breach of risk appetite, the Westpac NZ adopted Climate Change Position Statement and Action Plan or other external climate-related commitments. Material climate-related risks are often identified via horizon scanning, sensitivity assessments and climate scenario analysis.

Our 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. The RMF integrates climate-related risk into the overall risk management approach by recognising climate-related risk as both a financial risk (under credit risk) and non-financial risk (under reputational and sustainability risk) in our Risk Taxonomy. All material risks, whether financial or non-financial risks, are managed in accordance with the RMF. Accordingly, the suite of risk management documents that support the RMF apply to the management of climate-related risk. This is further supported by the SRMF and CRP, which provide a sharper focus on the approach to climate-related risk.

Our RAS documents the risk appetite settings for our organisation and is approved by the Board annually. Updates on the measures covered in the RAS, including climate-related measures, are also reported to the BRCC and the Board at least every six months through the Risk Appetite Dashboard.

In line with the RMF, prioritisation of material climate-related risks against other risks is dependent upon both the potential likelihood and impact of that climate-related risk occurring compared to other risks and its potential impact on those other risks. The periodic reviews of our risk profile enable our ET and Board to understand where the most significant exposures exist and ensure mitigating actions are appropriately prioritised. Using our Risk Impact and Likelihood Matrix helps ensure consistency in the way climate-related risks are identified, assessed and managed relative to other risks.

Figure 3: Risk taxonomy.

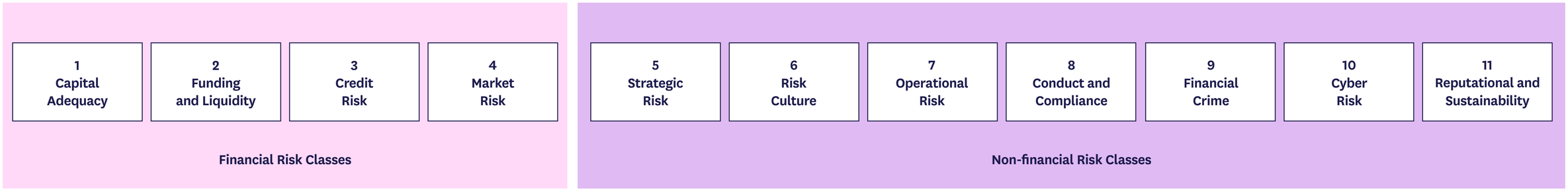


Figure 4 shows the risk management document hierarchy that is relevant to climate-related risk.

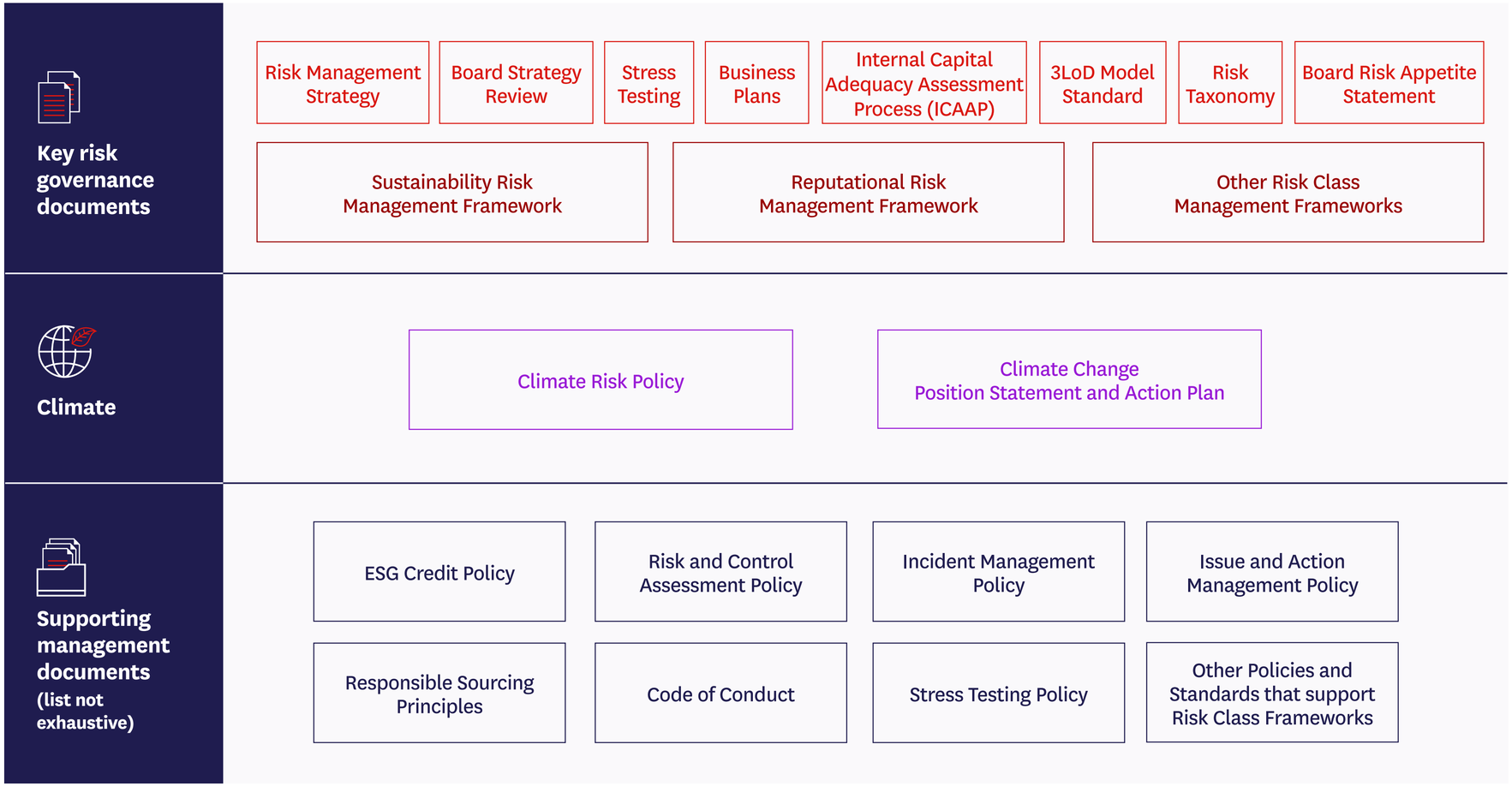
Managing risk is central to our business. We recognise that climate-related risk intersects with traditional banking risk categories such as credit risk, operational risk, reputation risk and compliance risk.

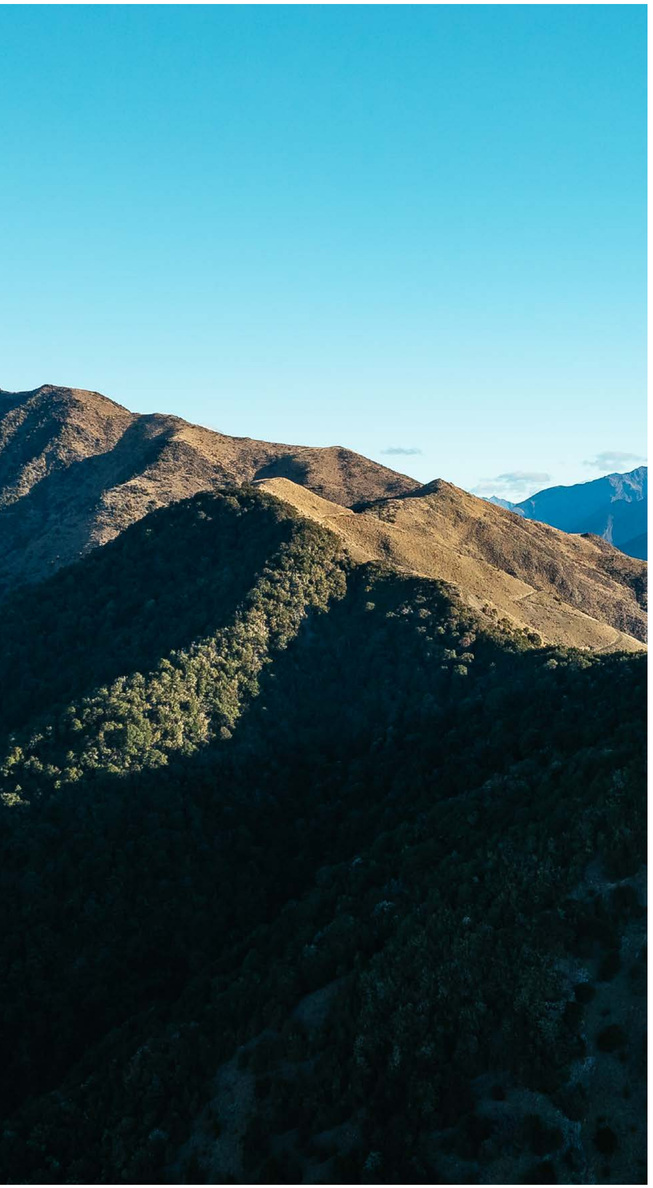
Our approach to managing climate-related risk continues to evolve as our understanding of the risk improves. We also acknowledge that our exposure to climate-related risk extends beyond our core business, impacting customers and communities.

There are two main sources of financial risks arising from climate change:

- Physical risks emanating from climate change can be event-driven (acute) such as increased severity and frequency 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 low-emissions global economy, the most common of which relate to policy and legal actions, technology changes, market responses and reputational considerations.

Figure 4: Risk Management Framework.





Identifying and assessing climate-related risks

We conduct non-financial risk assessments annually to determine inherent and residual risks, in accordance with our RMF, which includes processes to identify and assess their risks. Climate-related risk is included within these annual assessments. When assessing the potential impacts of their risks, business units are required to qualitatively evaluate the internal (financial, customer, staff, regulatory, reputation) and external (environmental, social) impacts of identified risks or incidents should they occur, facilitated by our Risk Impact and Likelihood Matrix. Assessing environmental and social impacts requires recognition that in certain circumstances our action or inaction can result in:

- people or communities (and their human rights) being put in a difficult, compromised or harmful position
- damage to the physical environment, including climate and nature-related impacts.

From a financial risk perspective, in addition to undertaking customer-level ESG credit assessments, we also manage climate-related risks at a portfolio level. For example, monitoring exposure concentrations to high risk sectors.

We review our operating environment twice a year and maintain an emerging risk landscape. This helps us understand how both financial and non-financial risks, including climate change, are emerging across our organisation in order to determine whether our current responses require adjustment. In 2024, a key focus of the ESG Programme's Climate Risk Management workstream has been on the enhancement of our climate-related risk management capability. Examples include embedding climate scenario analysis in our business-as-usual operating model and initiating the process to procure climate-related risk data from external vendors.

Climate change risk assessments.

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

- in 2020, we undertook a detailed scenario analysis of our lending portfolio's exposure to coastal hazards (flooding and erosion) resulting from sea-level rise. For more information on our exposure to sea-level rise, see the Metrics and targets section on page 36
- in 2021, we contributed towards the **Westpac Group Climate Vulnerability Assessment** for the Australian Prudential Regulation Authority
- in 2022, we carried out the RBNZ Climate Risk Assessment
- in 2023, we carried out the RBNZ's Climate Stress Test and held a climate scenario analysis workshop against our business strategy with SMEs from across the business
- in 2024, we undertook a climate scenario analysis workshop with our ET and Board.

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

Our ESG Credit Policy.

Our ESG Credit Policy was first implemented in 2013, with a focus on ensuring a common approach to managing ESG, reputation and sensitive transaction risks from a credit perspective and to minimise the reputational and financial impacts resulting from lending decisions.

The ESG Credit Policy applies to transaction managed business lending and has undergone several rounds of uplift over the past 11 years, including the integration of the assessment into lending origination systems to ensure it is well embedded across Corporate and Institutional portfolios.

An ESG assessment is completed for Transaction Managed customers when we bring a new customer on board and at least annually thereafter. We also complete an assessment if there is a material increase in the customer's debt or change in their business or circumstances.

The assessment reviews the customer against our Westpac Group-wide Position Statements (which includes the Westpac NZ adopted Climate Change Position Statement and Action Plan) to ensure our lending activities operate within the requirements of our Westpac Group-wide sustainability strategy. Lenders must identify what ESG risks are inherent to the customer and their activities, which can include impacts of climate change, including physical and transition climate-related risks – considering the impact on a customer's creditworthiness, as well as potential implications for assets held as security and recognising any changes to the ongoing viability of the business.

The ESG assessment considers the sensitivity of the identified risks and the strength of the controls and mitigants the customer has in place to manage those risks. These two elements give the resultant residual risk and materiality.

Assessments which identify activities that are outside the scope of Position Statements or have a high residual risk are escalated for assessment and, if required, further escalated with senior management for support or approval on a case-by-case basis.

Time horizons considered

Given that climate-related risks may manifest over timescales typically exceeding those considered under our business-as-usual risk assessment processes, the CRP identifies time horizons over which climate-related risks and opportunities should be assessed. For more information on how we defined these time horizons, see the Strategy section on page 14.

Value chain exclusions

Our value chain encompasses the activities, resources and relationships related to our business model and the external environment in which we operate. We are following a materiality-based approach in developing climate-related risk capabilities by prioritising sectors and portfolios with the largest exposures and highest climate impacts. We acknowledge that data is limited in relation to some customers, sectors and suppliers. Therefore, we continue to focus on enhancing our understanding of climate-related risks and impacts by building our data capability to achieve greater coverage across the full value chain. The following aspects of the value chain are specifically excluded from the climate-related risk identification and assessment process:

- climate-related risks in our supply chain as a result of emissions from our most material third party supplier profiles. While we do report on certain scope 3 emissions, at this stage data gaps limit our understanding of the emissions reduction strategies of our most material third parties and the potential climate-related risks.For more information on our GHG emissions exclusions, see Appendix 2: Operational emissions on pages 43 to 45 and Appendix 3: Financed emissions on pages 46 to 51.
- The Westpac NZ Staff Superannuation Scheme is excluded from the description of our risk management processes.

Managing climate-related risks

Management of transition risks.

We expect that transition risks 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).

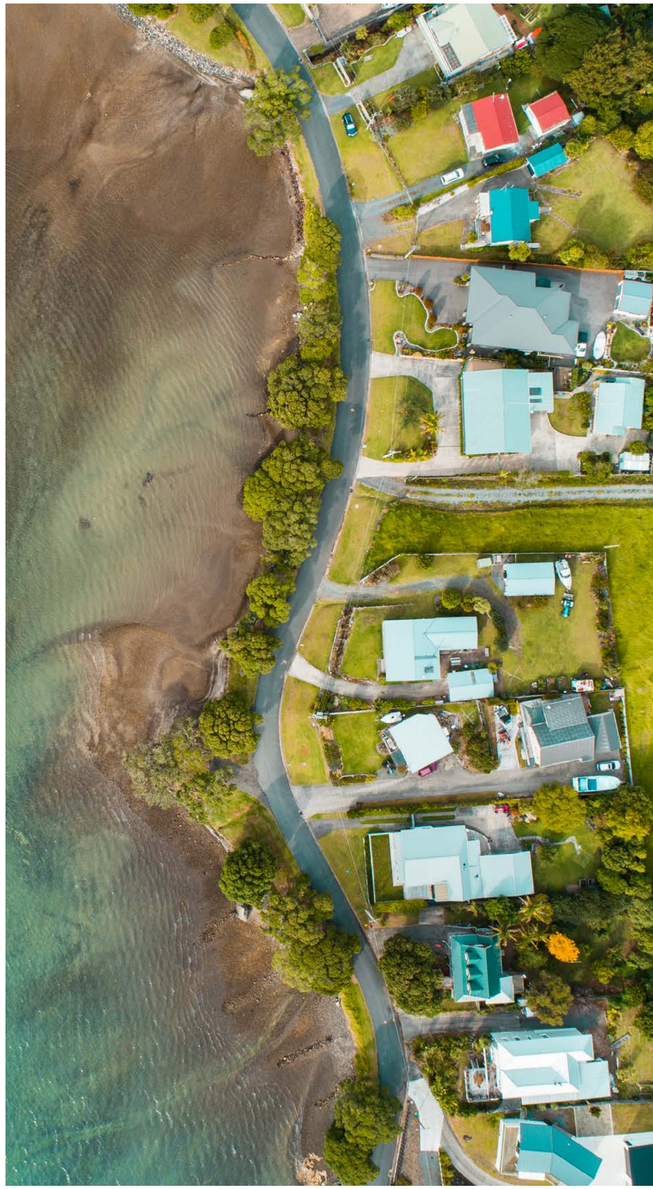
Our approach to ESG recognises that emissions-intensive sectors will need to align their long-term strategy and capital investment to transition to a low-emissions economy, due to increasing regulatory and consumer pressure. This remains a source of transition risk for us, as there are financial risks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

Our engagement with high-emitting customers includes undertaking assessments of their transition plans. In conjunction with sustainable finance, this approach can improve the resilience of our portfolio against transition risks.

Management of physical risks.

Based on the risk assessments listed above, the most significant risks to our business are risks to the built environment and productive land, due to our lending activities and the customers we partner with. 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) research[1] into expected impacts of climate change on Aotearoa.

We continue to improve our ESG Credit Policy and supporting processes as we gain greater understanding of climate-related risks. Through our suite of sustainable finance products, we are also incentivising customers to mitigate the climate-related risks they face. This includes providing customers with information on how to reduce GHG emissions and improve their climate resilience. These actions can also improve the overall resilience of our portfolio.



1 NIWA: Coastal Flooding Exposure Under Future Sea-level Rise for New Zealand

METRICS AND TARGETS

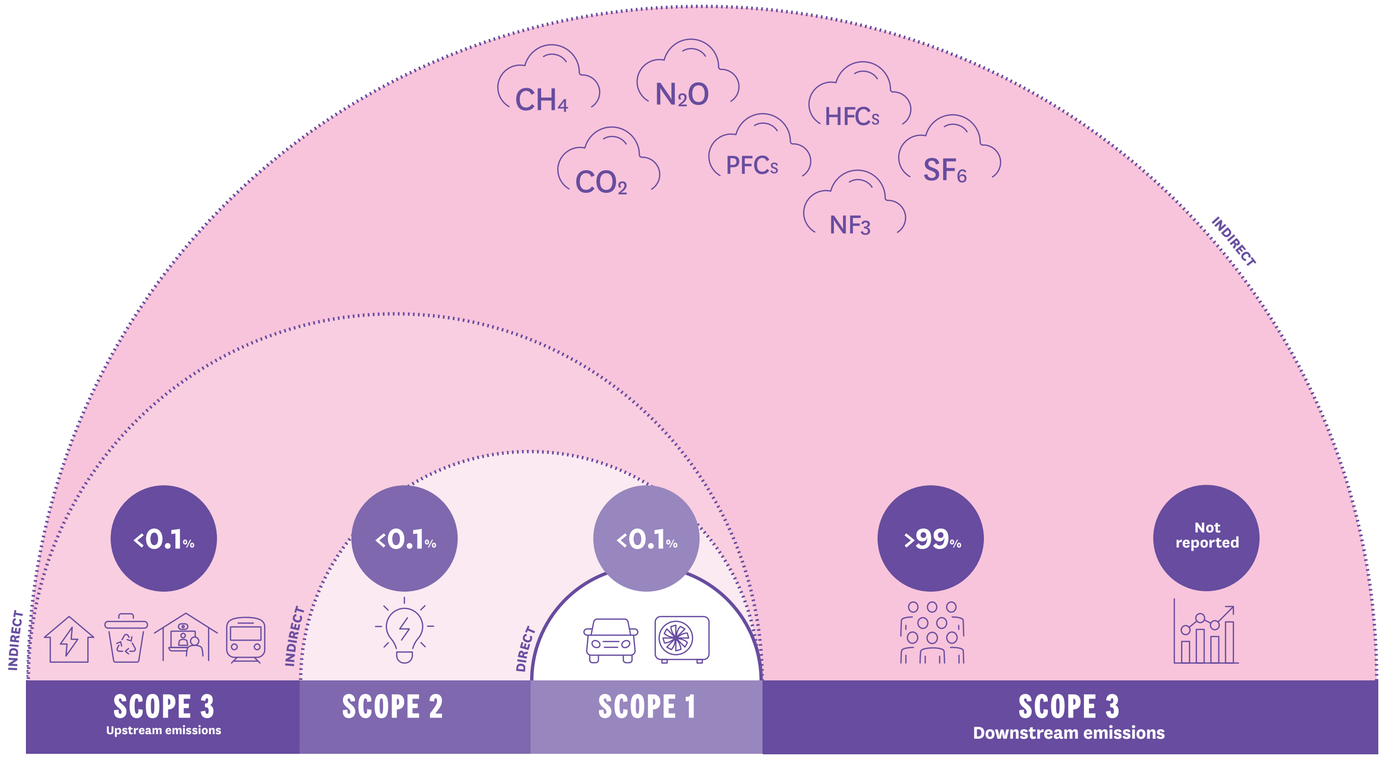
Understanding our GHG emissions

For Westpac NZ to reduce our emissions footprint, we must be able to understand our GHG emissions and where we can make impactful change. Our emissions come from both operational and financed emissions. Both sources of emissions are covered over the next few sections.

The assessment of our GHG emissions is summarised into the categories in Figure 5.

For the source of emissions factors, the Global Warming Potential (GWP) rates used and our exclusions from the GHG emissions disclosed, see Appendix 2: Operational Emissions on page 43 and Appendix 3: Financed Emissions on pages 46 to 51. In particular, Figure 5 excludes scope 3 categories 1 (Purchased Goods and Services) and 2 (Capital Goods), part of 7 (Employee commuting) and 9 (Downstream transportation and distribution) and our Scope 3 financed emissions exclude certain non-material asset classes.

Figure 5: GHG emissions overview.



Indirect mandatory and additional operational GHG emissions that occur in our supply chain such as air travel, accommodation, data centres, paper usage, waste and taxis.

Our indirect operational GHG emissions from the consumption of purchased electricity.

Direct operational GHG emissions as a result of our direct operations such as our fleet cars and refrigerants.

Financed emissions

Indirect emissions associated with our downstream activities related to lending. This includes Customer Scope 1 and 2 emissions from business lending, commercial real estate and residential mortgages. This year, we expanded Customer Scope 3 emissions from mining and manufacturing portfolios to also include, transportation, construction, buildings, materials and industrial sectors within business lending.

Facilitated emissions

Our downstream emissions related to arranging syndicated loans. This is not a material part of our business. We do not currently calculate facilitated emissions but are working on understanding the methodology and developing our approach in 2025.

Our operational emissions

Operational emissions are associated with the day-to-day running of our business. In 2024, we have transitioned to report in accordance with the Greenhouse Gas Protocol[2] for our operational emissions reporting. Our operational emissions target (detailed below) is set in line with the Toitū net carbonzero programme (Toitū) certification. As such, the discussion in this section on performance against our target and summaries of operational emissions use different terminology, particularly 'mandatory' and 'additional' grouping for Scope 3 emissions, which is in reference to Toitū boundaries.

Performance against target.

We have set an operational emissions target in line with the Toitū certification. The Toitū certification requires an organisation to measure scope 1 and 2 emissions and specific types of scope 3 emissions. We include transmission and distribution losses, transport (air travel, non-fleet activity including taxi usage and private cars) and waste. This aligns with our mandatory emissions target to 1.5°C, using the Toitū Envirocare target setting tool. Our highest operational emissions sources are air travel (29%), electricity (23%) and our vehicle fleet (13%).

Scope 3 financed emissions are not included within the boundary of operational emissions. Our Scope 3 mandatory emissions and Scope 3 additional emissions do not form part of our target. For more information on our scope 3 financed emissions, see the Metrics and targets section on page 32.

We have defined “Scope 3 additional emissions” as Scope 3 emissions from our supply chain in addition to the minimum Toitū 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 2025 absolute operational emissions target is to:

- reduce our scope 1, scope 2 and scope 3 mandatory operational GHG emissions by 30% by 2025 from a 2019 baseline; and
- offset our residual operational emissions that we currently measure. For more information on our approach to offsetting, see page 35.

Our mandatory gross operational emissions in the year to 30 June 2024 (EY24) were 3,363 tCO_2e. This is a 46.0% reduction against our EY2019 base year. Our mandatory gross operational emissions for EY19 were 6,225 tCO_2e, comprising 1,674 tCO_2e scope 1 emissions, 1,901 tCO_2e scope 2 emissions and 2,650 tCO_2e scope 3 mandatory emissions.

Our total gross operational emissions for EY24 were composed of:

- 3,363 tCO_2e from Scope 1, 2 and 3 mandatory emissions
- 698 tCO_2e from Scope 3 additional emissions

What we have planned in this area for 2025:

- expand installation of solar energy systems at applicable branch locations across the country
- focus on fuel reduction within our vehicle fleet via optimisation of our charging infrastructure
- encourage and educate our employees to choose lower emission travel options, such as Uber Green and sustainable hotels
- continue to educate Westpac NZ drivers on how to best utilise their hybrid fleet vehicles.

Summary of our FY24 operational emissions.

We have previously measured and reported our annual emissions for the twelve months ending 30 June (‘EY’). From 2024 onward, we will be reporting annual emissions for our financial year, i.e. the twelve months ending 30 September (FY). As 2024 is a year of transition, we have calculated operational emissions for both the EY24 (ended 30 June 2024) and FY24 (ended 30 September 2024) reporting periods. Table 9 summarises our FY24 and FY23 operational emissions. During FY24, key achievements in managing operational emissions include:

- Scope 1:
  - further conversion of our full vehicle fleet, with electric and plug-in-hybrid vehicles comprising 97% of our total fleet as at 30 September 2024
  - moved to a new and more energy efficient corporate site in Wellington, that has a number of sustainable features including LED lighting and efficient air conditioning units
- Scope 2 : Our scope 2 electricity consumption has decreased in FY24, hence a slight decrease in related emissions
- Scope 3: Our Scope 3 emissions reductions were achieved primarily through a decrease in business travel emissions.

Table 9: Operational emissions year on year comparison.

KPMG have provided limited assurance over FY24 operational emissions (excluding emissions intensity metrics disclosed below), refer to page 53 for their assurance opinion. During the year, we have purchased Renewable Electricity Certificates (RECs) relating to 100% of our purchased electricity consumption, therefore, under the market-based methodology, our scope 2 emissions are 0.

	FY2024 (tCO_2e)	FY2023 (tCO_2e)
Scope 1	768	955
Scope 2 (location-based)	952	977
Scope 3 (operational)	1,904	2,255
Total gross operational emissions	3,624	4,187
Emissions intensity		
Operating revenue (gross tCO_2e/$Millions)	0.97	1.25

2 The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition); The Greenhouse Gas Protocol: GHG Protocol Scope 2 Guidance: An amendment to the GHG Protocol Corporate Standard and The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard (collectively the GHG Protocol)

Electrifying Westpac NZ's vehicle fleet.

To aid our decarbonisation, we have been converting our vehicle fleet towards 100% EV/PHEVs. As at 30 September 2024, 97% of our fleet are EVs/PHEVs.

Table 10: Vehicle fleet converted to EV/PHEV year on year comparison.

	Key performance indicator	2024	2023	2022
Vehicle fleet converted to EV/PHEVs	Convert vehicle fleet to 100% EV/ PHEVs by 2025.	97% 214 (number of EV/PHEVs)	74% 179	51% 137

There may be circumstances where EVs or PHEVs and/or charging infrastructure to support EVs are not yet available for some business uses, and this may impact our ability to meet this target.

Frameworks and certifications.

Westpac NZ is currently Toitū net carbonzero certified. Our operational 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, using an operational control consolidation approach. KPMG have issued limited assurance over our Scope 1, 2 and 3 operational emissions for 2024, as set out in the Assurance Report on page 53.

Residual emissions.

To achieve our Toitū net carbonzero certification, we prioritise working to reduce our business's gross emissions and purchase carbon credits to offset all of our residual mandatory and additional operational emissions. We do not include any sources that already have removals associated with them, which includes our Scope 2 purchased electricity that is covered via our purchase of RECs, our carbon-neutral paper supply and one of our data centres that purchases RECs for its electricity consumption. It is important to us that our carbon credit investment stays in Aotearoa and supports native forestry, which is why we have been purchasing credits from a number of local suppliers.

To offset our total residual operational emissions for the FY24 period, we purchased and will use units from the Spray Point Station, Marlborough GHG removal project. Spray Point Station is focused on protecting and enhancing the natural environment and indigenous biodiversity. Since purchasing the property in 2004, the owners have set aside more than 1,000ha of land as an open space covenant (registered with the QEII National Trust), with the aim of restoring the land to support indigenous fauna and flora. These units were not verified independently beyond the Toitū net carbonzero certification.

For our detailed methodology for assessing our operational emissions, see Appendix 2: Operational emissions on page 43.

Our financed emissions

Financed emissions are the greenhouse gases that arise from the projects, companies, households and activities that we finance. This includes 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 residential mortgage customers. As a financial institution, our financed emissions are our greatest source of emissions and are therefore where we have the biggest potential to reduce our climate impact. Estimating our financed emissions helps to guide our conversations with customers on their transition planning, as well as meeting Westpac Group's Net-Zero Banking Alliance commitment, which you can read more about on page 35.

We have adopted the principles and methodology set out in the Partnership for Carbon Accounting Financials (PCAF)'s Global GHG Accounting and Reporting Standard (PCAF Standard).[3] For more information on our methodology including standards used, approach to estimation, consolidation approach, emission factor sources and exclusions, see Appendix 3: Financed emissions on page 46.

We estimate our:

- Scope 1 and 2 absolute financed emissions
- emissions intensity associated with our lending to business, commercial and institutional sectors including Commercial real estate and Residential mortgages
- Scope 3 financed emissions for the required sectors following the PCAF Standard (sectors required for 2024 reporting) including those associated with customers from our mining (including oil and gas extraction), manufacturing, transportation, construction, buildings, materials and industrial activities portfolios.

The summary of our financed emissions based on TCE and outstanding balance are detailed in Table 11 and Table 12.

Our GHG assurance providers, KPMG, have issued a limited assurance opinion over our 2024 financed emissions, as set out in their Assurance Report on page 53.

Our 2024 progress.

In 2024, we calculated our financed emissions using both outstanding balance of facilities and TCE as measures of lending. Measuring lending on an outstanding balance basis allows us to meet the PCAF Standard and ease comparison with peers. We believe measuring lending on a TCE basis reflects a better long-term measurement, as it avoids potential volatility from customers' patterns of use of their credit facilities.

We worked with a third party data supplier to seek more accurate and granular data this year. We have also implemented a policy where actual customer data is only used if it uses sufficiently recent financial and emissions data from the same reporting period. This means that if we did not have matching data, we would use a lower data quality method with sector/industry averages.

Our overall weighted average PCAF Data Quality Score for Scope 1 and 2 is 4.12 on both TCE and outstanding balance bases. For more information on Data Quality Scores, refer to Appendix 3: Financed Emissions on page 46. For more information on data quality for each asset class and sector by TCE and outstanding balance, see Tables 26 to 28.

We have also made improvements to our disclosure to align with industry sector groupings in the Westpac NZ Disclosure Statement and added the finance leases dataset that was previously out of scope due to data unavailability.

We estimate our 2024 Scope 1 and 2 financed emissions to be 3,902,353 tCO_2e using outstanding balance and 4,585,203 tCO_2e using TCE. Our financed emissions estimates are based on the best available data at a point in time.

While our greatest lending exposure comes from our Residential mortgages portfolio, the attributed financed emissions are relatively low at 1.88% and 1.81% of our total Scope 1 and 2 financed emissions on a TCE and outstanding balance basis respectively.

Agriculture represents 71% and 80% of our Scope 1 and 2 financed emissions on a TCE and outstanding balance basis respectively. Given the materiality of our agriculture emissions, we have two emission reduction targets for our dairy portfolio and our beef and sheep portfolio. For more information on these targets, see the Metrics and targets section on page 35.

Resetting the financed emissions base year.

In 2024, we made a number of improvements and refinements to the data we collect and the way it is used to estimate our financed emissions, including for compliance with the PCAF Standard and the Greenhouse Gas Protocol. We will continue to make improvements and refinements in the future as industry methodologies and data availability improves.

As a result of these improvements in 2024, 2023 is no longer seen to be a suitable base year for financed emissions. We decided to reset our base year to 2024 rather than recalculating 2023 data due to the number of changes made in 2024.

Comparisons in future years for financed emissions will be against the 2024 base year. The base year financed emissions may be recalculated in future years if circumstances arise that trigger our restatement policy, as set out in Appendix 3: Financed emissions on page 46.

We have applied Adoption Provision 6: Comparatives for metrics to not disclose comparative information for our financed emissions and Adoption Provision 7: Analysis of trends. Therefore, in 2024 we have not disclosed trends between the current and prior year, as no prior year information is disclosed.

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

Table 11: 2024 financed emissions by Total Committed Exposure.

Industry sector	Customer Scope 1 and 2 emissions (tCO_2e)	% of total Westpac NZ's total customer Scope 1 and 2 emissions	Emissions intensity for Scope 1 and 2 emissions (tCO_2e/$million lent)	Scope 1 and 2 PCAF Data Quality Score	Customer Scope 3 emissions (tCO_2e)	Scope 3 PCAF Data Quality Score
Accommodation, cafes and restaurants	3,034	0.07%	6.86	4.83	Not Required (NR)	NR
Agriculture	3,270,406	71.33%	349.73	3.71	NR	NR
Construction	39,415	0.86%	39.83	4.28	253,477	4.45
Finance and insurance	2,244	0.05%	0.32	4.90	NR	NR
Forestry and fishing	13,160	0.29%	25.62	4.73	NR	NR
Government, administration and defence	6	0.00%	14.14	5.00	NR	NR
Manufacturing	329,978	7.20%	98.37	4.00	2,326,486	3.96
Mining	118,592	2.59%	505.63	2.66	373,670	2.64
Property	75,086	1.64%	8.65	4.40	163	5.00
Property (secured Commercial real estate)	30,886	0.67%	4.03	4.30	NR	NR
Property (excluding secured Commercial real estate and Residential mortgages)	44,200	0.96%	23.14	4.76	163	5.00
Property services and business services	6,275	0.14%	4.29	4.73	9,601	4.69
Services	9,712	0.21%	3.32	4.34	10,123	4.55
Trade	73,988	1.61%	27.85	4.74	NR	NR
Transport and storage	87,293	1.90%	79.04	3.83	66,844	4.31
Utilities	469,968	10.25%	125.23	4.20	2,432	4.03
Total Business lending (including Commercial real estate)	**4,499,157**	**98.12%**	**105.84**	**4.29**	**3,042,795**	**4.08**
Residential mortgages	**86,046**	**1.88%**	**1.09**	**4.03**	**NR**	**NR**
Total in scope lending	**4,585,203**	**100.00%**	**37.64**	**4.12**	**3,042,795**	**4.08**

On a TCE basis, for Scope 1 and 2, in-scope lending in the Residential mortgages asset class covers 98% of our residential mortgages portfolio, while in-scope lending in the Commercial real estate and Business lending asset classes covers 97% of our business lending portfolio. For Scope 3, in-scope lending in the Business lending asset classes covers 14% of our Business lending portfolio. For more information on the in-scope lending definitions for each asset class, see Appendix 3: Financed Emissions on pages 46 to 51.

Table 12: 2024 financed emissions by outstanding balance.

Industry sector	Customer Scope 1 and 2 emissions (tCO_2e)	% of total Westpac NZ's total customer Scope 1 and 2 emissions	Emissions intensity for Scope 1 and 2 emissions (tCO_2e/$million lent)	Scope 1 and 2 PCAF Data Quality Score	Customer Scope 3 emissions (tCO_2e)	Scope 3 PCAF Data Quality Score
Accommodation, cafes and restaurants	2,515	0.06%	6.73	4.81	NR	NR
Agriculture	3,136,042	80.36%	355.07	3.71	NR	NR
Construction	15,993	0.41%	29.53	4.58	151,563	4.49
Finance and insurance	1,843	0.05%	0.36	4.91	NR	NR
Forestry and fishing	6,485	0.17%	20.71	4.65	NR	NR
Government, administration and defence	3	0.00%	14.14	5.00	NR	NR
Manufacturing	144,480	3.70%	74.36	4.42	855,686	4.36
Mining	86,087	2.21%	399.75	3.18	265,994	3.18
Property	66,598	1.71%	8.75	4.34	102	5.00
Property (secured Commercial real estate)	28,394	0.73%	4.30	4.24	NR	NR
Property (excluding secured Commercial real estate and Residential mortgages)	38,204	0.98%	21.57	4.70	102	5.00
Property services and business services	4,824	0.12%	4.53	4.64	5,635	4.74
Services	6,942	0.18%	3.51	4.27	7,233	4.54
Trade	52,384	1.34%	28.15	4.72	NR	NR
Transport and storage	55,211	1.41%	76.04	4.15	45,417	4.50
Utilities	252,409	6.47%	111.68	4.41	2,231	4.02
Total Business lending (including Commercial real estate)	**3,831,816**	**98.19%**	**116.43**	**4.30**	**1,333,861**	**4.34**
Residential mortgages	**70,537**	**1.81%**	**1.06**	**4.03**	**NR**	**NR**
Total in scope lending	**3,902,353**	**100.00%**	**39.25**	**4.12**	**1,333,861**	**4.34**

On an outstanding balance basis, for Scope 1 and 2, in-scope lending in the Residential mortgages asset class covers 98% of our residential mortgages portfolio, while in-scope lending in the Commercial real estate and Business lending asset classes covers 99% of our Business lending portfolio. For Scope 3, in-scope lending in the Business lending asset classes covers 11% of our Business lending portfolio.

Net-Zero Banking Alliance Targets.

In July 2022, WBC joined the United Nations-convened Net-Zero Banking Alliance.

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

- aligning Westpac Group's lending portfolio with net-zero by 2050; and
- setting 2030 sector lending targets in emissions-intensive sectors, consistent with limiting global warming to 1.5°C above pre-industrial levels by 2100.

Westpac NZ's Board endorsed WBC's approach and commitment, including sector-targets that affect customers. Managing Net-Zero Banking Alliance targets across the entire Westpac Group portfolio allows for a stronger focus on implementation, in particular through providing sustainable finance and direct support and engagement with emissions-intensive customers.

The Net-Zero Banking Alliance commitment is a catalyst for our actions such as:

- engaging with customers, industry and government
- educating our employees and customers on climate change, net-zero and our role in supporting the transition
- incentivising debt finance that supports the transition to a low-emissions economy. For example, through our sustainable finance products and project finance.

Our agriculture sector makes up the largest portion of our financed emissions. To ensure the effective implementation of the Net-Zero Banking Alliance commitment, we set two New Zealand specific targets for the Agriculture sector, covering both the dairy sector and beef and sheep sector. The following Net-Zero Banking Alliance targets also currently include Westpac NZ customers: Upstream Oil and Gas, Aviation, Cement Production, Power Generation and Commercial Real Estate. These targets are set at a Westpac Group portfolio level and we are actively engaging with customers in these sectors to understand and support their transition.

The Net-Zero Banking Alliance targets have had reference scenarios selected to be consistent with 1.5°C above pre-industrial levels by 2100 as set out in Westpac Group's methodology.The Net-Zero Banking Alliance considers that reducing emissions to net-zero by 2050, combined with their requirement to have interim targets, is aligned with limiting global warming to 1.5°C above pre-industrial levels by 2100. For more information on the progress of Westpac Group's Net-zero Banking Alliance Sector emissions targets, refer WBC's Climate Report on pages 17 to 30.

Table 13: Net-Zero Banking Alliance 2030 sector lending targets.

Sector	2030 Westpac Group Net-Zero Banking Alliance Target	Base year	Reference scenario	Type of target	Westpac NZ Sector Approach
Agriculture - NZ Dairy	10% reduction in scope 1 emissions (tCO_2e/tonne of Fat and Protein Corrected Milk)	2021	Science-based Targets initiative (SBTi) FLAG Oceania Dairy Commodity Land Management (2022)	Intensity	We are engaging with customers, in particular on the rollout of the Sustainable Farm Loan, which incentivises customers to develop an emissions reduction plan.
Agriculture - NZ Beef and Sheep	9% reduction in scope 1 emissions (tCO_2e/tonne of Fresh Weight)	2021	SBTi FLAG Oceania Beef Commodity Land Management (2022)	Intensity	
Upstream Oil and Gas	23% reduction in scope 1, 2 and 3 absolute financed emissions	2021	International Energy Agency (IEA) Net-Zero Emissions by 2050 Scenario (NZE 2050) (2021) and Commonwealth Scientific and Industrial Research Organisation(CSIRO)/ Climateworks Australia MSEM (2021)	Absolute	We are working directly with a small number of customers in these sectors to assess their transition strategies, including disclosures, targets, plans and actions.
Transport - Aviation	60% reduction in scope 1 emissions (gCO2e/passenger km)	2021	IEA NZE 2050 (2021)	Intensity	
Cement Production	14% reduction in scope 1 and 2 emissions (tCO_2e/ tonne of cement produced)	2021	SBTi Cement Target Setting Guidance–SDA (2022)	Intensity	
Commercial Real Estate (Offices)	59% reduction in Scope 1 and 2 emissions ($kgCO_2e/m^2$ net lettable area)	2022	IEA NZE 2050 (2021)	Intensity	We encourage energy efficiency improvements through sustainable finance and continue to support the decarbonisation of Aotearoa's electricity grid through lending to renewable power generation projects.
Power Generation	62% reduction in scope 1 and 2 emissions (tCO_2 e/MWh)	2021	CSIRO/ClimateWorks Australia Hydrogen Superpower Scenario (2021)	Intensity	We are working directly with the remaining New Zealand power generators that are using fossil fuels to better understand and support their transition plans.
Steel Production	Reduce scope 1 and 2 emissions to 1.42 tCO_2e/tonne of crude steel produced	2021	MPP Technology Moratorium (2021)	Intensity	We currently have no lending to these sectors.
Thermal Coal Mining	Zero scope 1, 2 and 3 absolute financed emissions to companies with more than 5% of their revenue coming directly from thermal coal mining	2021	IEA NZE 2050 (2021)		
Aluminium	Upper limit of Scope 1 and 2 emissions intensity at 10.35 tCO_2e/ tonne of primary aluminium produced	2023	International Aluminium Institute IAI 1.5°C, 2021	Intensity	

Methods, assumptions, limitations and uncertainties.

The Net-Zero Banking Alliance targets are subject to a range of assumptions, dependencies and limitations. These are outlined in the WBC Climate Report on pages 61 to 65 and include, but are not limited to:

- use of suitable sector-specific reference pathways developed by organisations such as the IEA and SBTi, which have not necessarily been adapted to fully reflect Australian and New Zealand conditions
- 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.

There remains uncertainty over:

- the availability and scalability of emissions reduction technologies and management practices
- customers' ability to adopt efficiency and productivity improvements in farming systems
- seasonal variations which may affect farm practices, meaning the path to our target is unlikely to be linear
- the extent to which market forces and government policy will incentivise decarbonisation
- some sector targets having dependencies on decarbonisation of adjacent sectors (e.g. increase in renewable electricity generation).

Our approach to carbon offsets for Net-Zero Banking Alliance 2030 sector lending targets.

We believe reducing gross emissions should be a priority action in achieving targets and the transition to net-zero. The methodologies for setting our current targets do not include use of carbon offsets for our financed emissions.

We recognise carbon offsets, removals and other evolving technologies and practices may play a role to supplement decarbonisation in some sectors, in line with climate science-based scenarios. Guidance around the quality and utilisation of carbon credits is a rapidly evolving area and the approach for the use of carbon offsets will be reviewed in line with Net-Zero Banking Alliance Guidance.

Transition risks

Our lending portfolio exposes us to customers' climate-related risks. Physical and transition impacts on 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.

Assets vulnerable to transition risks.

To understand our exposure to transition risk we have utilised the Climate Change Impact Report that we commissioned in 2018 which identified key sectors exposed to transition and physical risks through to 2050. We anticipate companies in these sectors are generally subject to heightened transition risk. Therefore, we are considering our TCE to each of these sectors for disclosure purposes.

As outlined in Table 5, there will be significant variation in the nature and extent that customers are exposed to transition risk within these sectors, dependent on individual circumstances. Equally, we acknowledge that customers outside these sectors can be exposed to heightened transition risk.

For the purposes of this report, we have applied the IPCC definition of vulnerability to describe a subset of exposure. The IPCC defines vulnerability as the propensity or predisposition to be adversely affected. Vulnerability encompasses a variety of concepts and elements, including sensitivity or susceptibility to harm and lack of capacity to cope and adapt.

Table 14: Westpac NZ's assets vulnerable to transition risks.

Industry sector (based on ANZSIC code)	2024 Total Committed Exposure	T2023 Total Committed Exposure	2022 Total Committed Exposure
Agriculture and forestry	**$8,218m**	**$8,543m**	**$8,705m**
· Dairy	$6,086m	$6,263m	$6,303m
· Forestry	$184m	$278m	$294m
· Sheep and beef farming	$1,948m	$2,002m	$2,109m
Oil and gas Including mining and production, supply and retail.	$253m	$316m	$476m
Power generation Including generation, transmission and distribution	$2,420m	$2,468m	$1,877m
Transport Including air, rail, road freight and port operations	$1,011m	$1,434m	$2,050m
Total	**$11,902m**	**$12,761m**	**$13,108m**

In 2024 the classification of transition risks was updated to exclude horticulture, the historical figures were restated to maintain comparability. Note we have ceased lending to the coal mining sector, with residual remediation bonds of TCE $0.1m remaining.

Physical risks

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

In 2019, we engaged NIWA to provide data on coastal flooding and erosion. During 2020, we undertook analysis to build our understanding of the potential impacts that coastal hazards could have on our lending exposures. This analysis was based on future risks out to 2050 under 1.5˚C and 4˚C climate change scenarios (Representative Concentration Pathways (RCP)2.6 and RCP8.5). We have been disclosing the approximate proportion of our lending portfolio secured by properties exposed to heightened risks (defined as annual exceedance probability of 10% or more, as well as general exposure to coastal erosion under NIWA's Coastal Sensitivity Index) from sea-level rise since 2020. We continue to track properties exposed to a heightened risk from sea-level rise under a 4˚C warming scenario.

For the purposes of this report's physical risk section, we have applied the IPCC definition of exposure. The IPCC defines exposure as the presence of people; livelihoods; species or ecosystems; environmental functions, services, and resources; infrastructure; or economic, social, or cultural assets in places and settings that could be adversely affected. Although we identify exposure, we do not currently have enough information to identify if a property is vulnerable to flooding from sea-level rise. For the purpose of the NZ CS, we therefore disclose exposure in lieu of vulnerability to sea-level rise in Table 15.

Table 15: Lending portfolio exposure to sea-level rise.

Segment	Approximate % of Total Committed Exposure at heightened risk of sea-level rise by 2050		
	2024	2023	2022
Residential mortgages	2.1%	2.1%	2.1%
Commercial property lending	4.0%	3.4%	2.1%
Agricultural lending	3.4%	3.5%	3.4%

Westpac NZ's exposure is reflective of a well-diversified portfolio. The small increase for commercial property lending between 2022 and 2024 is primarily attributed to changes in exposure to customers, rather than an increase in the overall number of customers at risk from sea-level rise. Approximate percentages shown are as at 30 September 2024.

Our residential mortgage lending exposures to heightened risks from rainfall flooding.

Last 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 the Treasury estimating the cost of physical damage to households, businesses and infrastructure at $9-14.5b.[4] In 2024, customers in the East Coast and Hawke's Bay regions experienced further flooding events.

This year we analysed our physical climate risks, focusing on the residential mortgage sector's exposure to rainfall-induced flooding to improve Westpac NZ's resilience to extreme weather events. We focused on this sector as residential mortgages secured against properties in high or very high rainfall flood risk areas face heightened climate-related risk due to the increased likelihood of flooding events. This risk is exacerbated by various climate scenarios predicting increased GHG emissions, which contribute to a warming planet.

As global temperatures rise, the frequency and intensity of extreme weather events, including heavy rainfall and subsequent flooding, are expected to increase, including in residential areas.[5] Consequently, properties in these areas are more vulnerable to climate impacts, including insurance availability and repricing, making it important for lenders and homeowners to consider these factors in their decision-making.[6,7,8]

We are enhancing our capability in physical risk assessment, including rainfall flood risk, with the tables and diagrams presented in this report being part of this journey. The analysis of rainfall flood risk in Figure 6, Table 16 and Table 17 are based on our current residential mortgage portfolio exposures.

Key inputs and assumptions for analysis.

Our analysis uses a baseline of 2005 within our chosen scenario of Too Little, Too Late (SSP2-4.5). The modelled flood area and flood depth is based on a 1-in-100-year rainfall flood event.

For this analysis over residential mortgages, we consider that a property is 'high risk' where the modelled flood area of the property is greater than 95% and the mean flood depth is at least 50 cm.

We have taken this approach to:

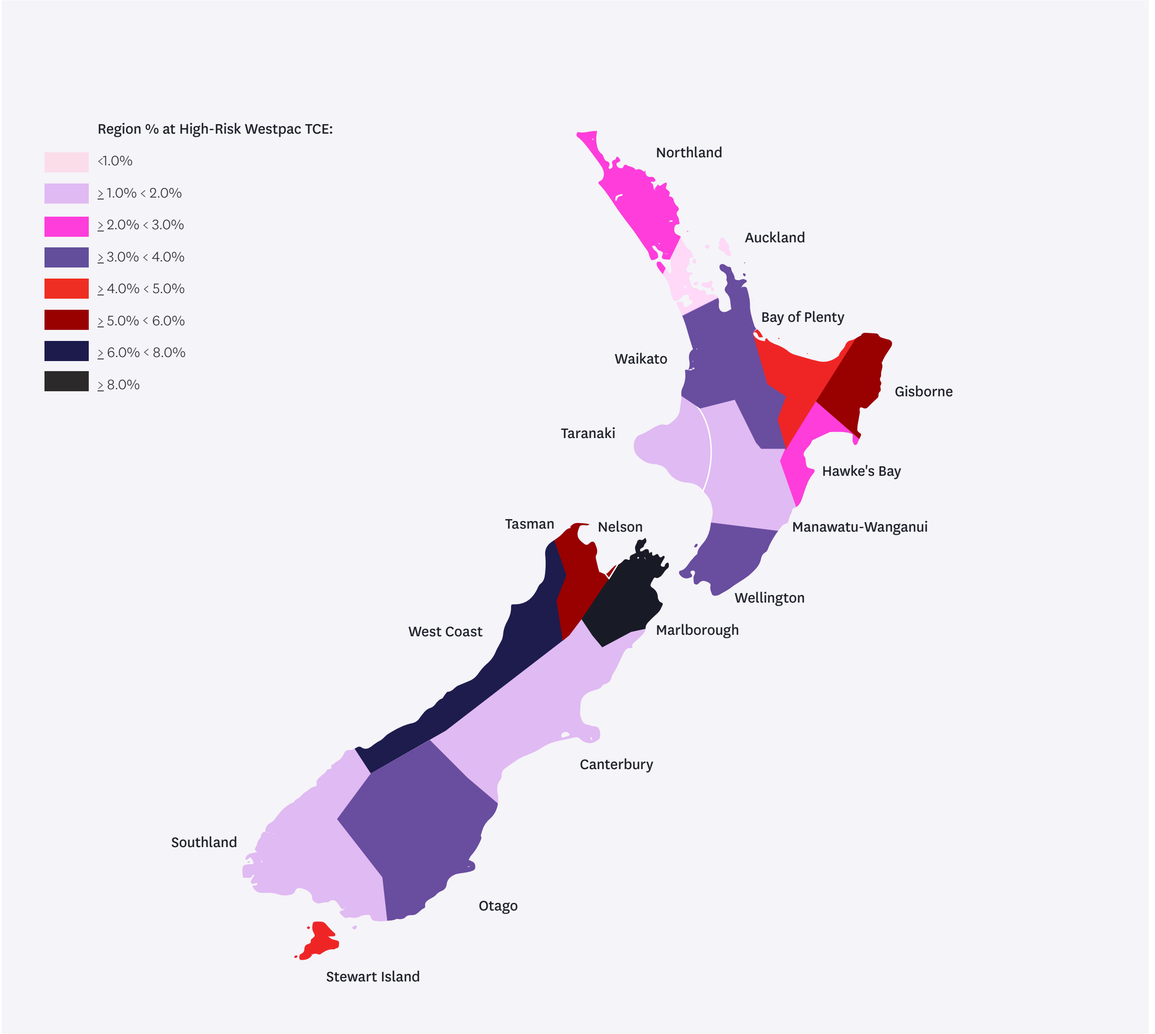
- be consistent with the 2023 RBNZ Climate Stress Test; and
- enable analysis across more of our residential portfolio potentially exposed to flood risk.

Although we identify whether a property is 'high risk', we do not currently have enough information to state if a property is vulnerable to rainfall flooding. For the purpose of NZ CS, we are therefore unable to disclose our vulnerability to flooding risk.

For more information on our methods, assumptions and estimation uncertainty, see Appendix 5: Exposure to heightened risks from rainfall flooding on page 52.

Figure 6 outlines the percentage of identified properties within our residential mortgage portfolio (by TCE) at high risk to rainfall flooding by region. The colours in the map indicate the exposed level in the region relative to Westpac NZ's total residential mortgage lending. It considers both the value of mortgage lending and the proportion exposed. More detail on the areas representing the highest concentration of total exposure to flood risk can be found in Table 16.

Figure 6: Percentage of identified properties within our residential mortgage portfolio by TCE at high risk of rainfall flooding by region.



4 The Treasury (April 2023) Impacts from the North Island weather events
5 MfE (2020): National Climate Change Risk Assessment for Aotearoa New Zealand
6 IPCC (2021): Climate change widespread, rapid, and intensifying - IPCC
7 IEA (2021): Scenario trajectories and temperature outcomes
8 RBNZ (2024): Insurance availability and risk-based pricing

Table 16: Regional breakdown of residential mortgages exposed to rainfall flooding.

Region	% of Total Committed Exposure residential portfolio	% of Total Committed Exposure at high risk of rainfall flooding	
		Region	Portfolio
Auckland	43.44%	0.68%	0.32%
Canterbury	11.65%	1.96%	0.24%
Wellington	10.84%	3.93%	0.47%
Waikato	9.73%	3.05%	0.31%
Bay of Plenty	5.62%	4.38%	0.24%
Otago	5.60%	3.09%	0.20%
Manawatu-Wanganui	2.80%	1.68%	0.05%
Northland	2.34%	2.60%	0.07%
Hawkes Bay	2.14%	2.44%	0.06%
Southland	1.66%	1.19%	0.02%
Taranaki	1.31%	1.99%	0.03%
Tasman	0.76%	5.35%	0.04%
Nelson	0.67%	5.23%	0.03%
Marlborough	0.61%	8.32%	0.05%
Gisborne	0.44%	5.12%	0.02%
West Coast	0.39%	7.90%	0.03%
New Zealand	100%		2.18%

Overall outcomes of analysis.

Figure 6 and Table 16 outline the percentage of our residential mortgage portfolio in the region (by TCE) that is identified as 'high risk' to rainfall flooding as a percentage of the regional TCE. Regional TCE represents regional exposure based on the post code of an individual property which is then analysed against a regional identifier.

Outcomes – Total TCE.

Nationally, 2.18% of our residential mortgage potfolio is categorised as high risk properties. The Auckland region contributes 0.32% of the total high risk properties.

Outcomes – Regional Portfolio TCE.

The percentage of regional high risk properties, for example in Auckland, is 0.68% of the Auckland regional TCE.

Taking Gisborne as an example, more than 5.12% of the residential mortgage portfolio for this region are high risk properties. However, the total exposure of high risk exposed properties for Gisborne as a proportion of our residential mortgage portfolio is 0.02%.

Figure 6 shows the exposure of regional concentration of high risk properties. In the view of New Zealand presented, we see a regional concentration of high risk exposed TCE in Marlborough, Tasman and the West Coast. However, when we compare this against our total exposure in Table 16, our regional exposure becomes more concentrated in Auckland, Wellington and Waikato.

Table 17: Rainfall flooding, Residential Mortgage Portfolio – 2024, 2025, 2030 and 2045.

Modelled Year	At high risk	Increase in high risk compared to prior modelled year
2024	2.18%	N/A
2025	2.23%	0.05%
2030	2.28%	0.05%
2045	2.46%	0.18%

Table 17 demonstrates that the percentage of high risk properties to rainfall flooding in our portfolio increases by 28 basis points between 2024 and 2045, based on our current level of exposure.

Although the frequency and intensity of rainfall flooding events for exposed properties are expected to increase, it is not possible at this stage to incorporate forecasting of new lending into the exposed properties data. We are also unable to integrate adaptation or mitigation measures and their implications. The trend outlined in the table above is the current property portfolio modelled at three differing time periods under the SSP2-4.5 scenario (2025, 2030 and 2045). This analysis is reflective of the available data and are point in time representations.

Climate opportunities

Business alignment with the transition.

There may be opportunities for deploying new lending with current customers or emerging sectors and new technologies that hold the potential for driving growth to support climate change mitigation and adaptation.

The amount or percentage of potential new lending opportunities and business activities which are aligned to climate-related opportunities cannot currently be quantified. However, a significant portion of our current sustainable lending supports investments in assets, or provides incentives through funding, to reduce emissions and build climate resilience.

Capital deployed towards sustainable finance.

To support Aotearoa to achieve net-zero emissions and broader sustainability goals, we set a target in 2021 to enable $10b in cumulative total sustainable finance by 2025.

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

In 2024, we developed a new sustainable finance target to increase sustainable lending to $9b by 2027 to support our business customers to achieve positive environmental and social outcomes (including $4.2b of Sustainable Farm Loan lending to our agribusiness customers).

The 2027 $9b sustainable lending target will be measured on a 'point in time' basis at 30 September 2027 (instead of on a cumulative basis that aggregates all sustainable loans executed across the target measurement period as the previous target was). Therefore, only Sustainable Loans in place with customers at the reporting date will count towards our achievement of the $9b target. Loans that are repaid, refinanced or no longer sustainable will be excluded. Sustainable Loans include Green, Social, Sustainability, Transition and Sustainability-Linked Loans that are labelled as "sustainable" in accordance with the WBC Sustainable Finance Framework. Sustainable Bonds are excluded from this $9b target. The new sustainable finance target relates to lending to business customers only.

Sustainable lending at 30 September 2024 is $7.0b. This includes $3.6b to agribusiness customers through the Sustainable Farm Loan. 43% of the agribusiness term lending is now labelled as sustainable. Additionally, all Sustainability-Linked Loan lending to customers at 30 September 2024 includes GHG emissions reduction targets to incentivise customers to support the transition to a low-emissions economy.

We have developed a number of sustainable lending products to support customers accelerate their transition through increased resilience to climate change impacts or reduced GHG emissions. The sustainable finance products we offer are listed in Table 18 and further detail on each product can be found on page 22.

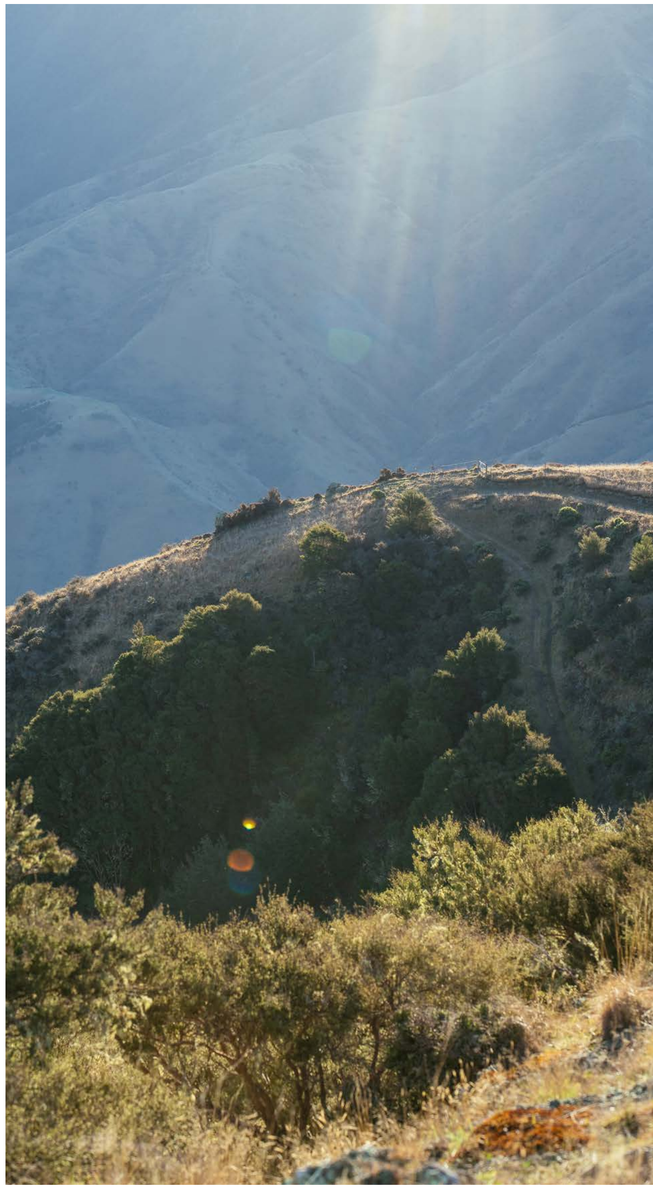
Table 18: 2027 sustainable lending target and progress.

Sustainable Finance Type	2027 Target	Total Committed Exposure 2024	Total Committed Exposure 2023
Sustainable Lending			
Sustainable Farm Loan	$4,200m	$3,585m	$990m
Sustainable Business Loan	Not applicable (N/A)	$603m	$94m
Sustainable Equipment Finance Loan		$2m	N/A
Sustainability-Linked Loans		$1,381m	$1,367m
Other Social Lending		$45m	$47m
Other Environmental Lending		$1,400m	$932m
TOTAL	$9,000m	$7,015m	$3,430m

We additionally provide sustainable lending products to customers to support customers make their homes and transport more energy efficient. The consumer sustainable finance products we offer are listed in Table 19 and further detail on each product can be found on page 22.

Table 19: Consumer sustainable finance lending.

Deployment Category	Outstanding balance 2024	Outstanding balance 2023
Greater Choices Home Loan	$169m	$82m
The EV Loan	$18m	$11m



Capital deployed to mitigate climate-related risks

While Westpac NZ deploys capital primarily towards supporting customers, including to be more sustainable, we also internally deploy capital, including expenditure, to invest in assets which improve our operational emissions profile.

Across 2024 and 2023, we deployed capital towards:

- the implementation/upgrades of processes and systems to track emissions
- business processes and controls to ensure ongoing compliance
- contracting new Data Centres that use renewable energy to reduce electricity consumption
- installing solar panels at 5 branches to minimise net electricity consumption from the grid
- installation of EV charging units across the Westpac NZ branch network.

Table 20: Capital expenditure towards climate-related risks.

	2024	2023
Investment to mitigate climate-related risks	$9.2m	$5.9m

Internal emissions price

Westpac NZ does not currently and has not in the past applied an internal emissions price.

Remuneration

Table 21: Climate-related remuneration linked performance measures.

Role	2024 performance	% of total weighting
CEO	Progress towards aligning our lending approach to the Net-Zero Banking Alliance commitment to develop a Framework for Credible Transition Plans.	5%
CRO	Delivery of the Climate Risk Management Workstream.	6%
GM PSM	Delivery of nine sustainability targets as set out in the Sustainability Strategy	10%
MD IBB	Progress towards aligning our lending approach to the Net-Zero Banking Alliance commitment to develop a Framework for Credible Transition Plans. Progress towards the Westpac Group 2030 Sustainable Finance targets.	10%

Industry-based metrics

In 2024, we have used the following banking specific metrics (industry-based metrics) to measure or manage climate-related risks or opportunities relevant to the banking sector and our business model, as set out in the pages indicated below:

- Emissions intensity of financed emissions on pages 33 to 34
- Net-Zero Banking Alliance commitment and targets on page 35.

Other key performance indicators

In 2024, we have used the following performance indicators in addition to those required by NZ CS to manage our climate-related risks and opportunities, as set out in the pages indicated below:

- The percentage and number of electric vehicles and plug-in hybrid electric vehicles in the Westpac NZ fleet on page 31
- Sustainable Farm Loan TCE on page 39
- Sustainable Business Loan TCE on page 39
- Sustainable Equipment Finance Loan TCE on page 39
- Sustainability-Linked Loans TCE on page 39
- Other Social Lending TCE on page 39
- Other Environmental lending TCE on page 39
- Total outstanding balance of Greater Choices Home Loans on page 39
- Total outstanding balance of EV Loans on page 39.

ADDITIONAL INFORMATION

Appendix 1: Scenario analysis narratives

These scenarios have been identified as plausible yet challenging future scenarios and were applied in order to test the resilience of our business strategy.

Overview of scenarios:

1.New Zealand Banking Association 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 from 2025 and the carbon price was gradually increased, reaching $138 per tonne of carbon dioxide equivalent in 2030 and $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. Carbon sequestration increases by 2050 due to large areas of land with marginal livestock farms being converted to horticulture or afforested.

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. Network for Greening the Financing System 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 (as nature-based solutions such as methane inhibiting feed supplements and vaccines were ineffective in reducing emissions) and carbon sequestration due to afforestation of farming land. 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. New Zealand Banking Association 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 and 4.4°C by 2100, 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, including nature-based solutions such as methane-reducing vaccines and seaweed feed supplements, 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 gross domestic product (GDP) growth 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 became 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 2: Operational emissions

Methods, assumptions and estimation uncertainty.

Measurement standards applied.

As set out on page 29 of this report, we define operational emissions as scope 1, scope 2 and categories of scope 3. KPMG have issued a limited assurance opinion over our Scope 1, 2 and 3 operational emissions for 2024, as set out in the Assurance Report on page 53. Our operational emissions have also been certified by Toitū Envirocare and comply with ISO 14064-3:2019 and Toitū net carbonzero Programme Technical Requirements for the 1 October 2023 to 30 September 2024 financial year. In 2024, we began using the GHG Protocol as our methodology for measuring operational emissions. Our usage of GHG protocol includes: The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition); The Greenhouse Gas Protocol: GHG Protocol Scope 2 Guidance: An Amendment to the GHG Protocol Corporate Standard; The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Consolidation approach.

Organisational boundaries were set in alignment to the methodology described in the GHG Protocol and ISO 14064-1:2018 standard. We have applied an operational control consolidation approach, which aligns with the direct operational footprint of all our businesses in Aotearoa. 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 and GWP sourced from the Ministry for the Environment's 2024 **Measuring emissions: A guide for organisations**, using the GWPs published in the IPCC Fifth Assessment Report (AR5). Below are the exceptions where emission factors are from different sources:

- Scope 3 Paper use
  - UK Department for Business, Energy and Industrial Strategy. Government greenhouse gas conversion factors for company reporting (DESNZ 2024)
  - Australian Government Climate Active Program. Public Disclosure Summary for Paper Australia Pty Ltd (Australian Paper) (CAP AP (2023).

Restatement and Reporting Period.

A restatement is required if there are any material errors, changes in methodology and/or business operations made in previous reporting periods including base year alongside an explanation of the error(s) and change(s). The restatement will be made in the first climate statement for issue after the discovery of the errors. Consideration of a material error would primarily occur if the impact of the change is more than a 5% change in combined emissions across categories. A restatement may be considered where significant changes have occurred to one or more of the following: the organisational or reporting boundaries, calculation methodologies or emissions factors and/or discovery of errors or omissions in the emission source input data. Where such a restatement has been made, an explanation of the change and rationale will be disclosed.

Operational emissions were measured for the current financial year period: 1 October 2023 to 30 September 2024. This differs to the Westpac Group Climate Report for the 2024 financial year which reported operational emissions for year from 1 July 2023 to 30 June 2024.

Note: The final number of purchased offsets is calculated by taking our total operational emissions for the year, and subtracting any sources that already have removals associated with them. In FY24, the categories that already have associated removals include Scope 2 purchased electricity that is covered via our purchase of RECs, our carbon-neutral paper supply and one of our data centres that purchases RECs for their electricity consumption.

Scope 3 exclusions.

Prioritisation of initiatives have meant we have excluded certain scope 3 operational emission categories in our FY24 reporting. We plan to expand on our inventory in FY25.

Key

- Fully reported material categories in our operational emissions
- Partially or not disclosed - NZ CS Adoption Provision 4 has been applied
- Financed Emissions are reported separately, see page 32
- Excluded from operational emissions inventory or assessed as immaterial

Table 22: Scope 3 operational emissions.

Scope 3	Categories reported under scope 3	FY24 emissions (tCo_2e)	Residual emissions offset
1. Purchased goods and services	Office paper, off-site EV charging & data centres. Fuller purchased goods and services reporting has been delayed until 2025. Applied Adoption Provision 4.	516	✔
2. Capital goods	Excluded - Applied Adoption Provision 4.		N/A
3. Fuel and energy related-activities (that are not included in Scope 1 or 2)	Transmission and distribution (T and D) losses from natural gas, purchased electricity and off-site EV charging.	105	✔
4. Transportation and distribution	Captured under category 9		N/A
5. Waste generated in operations	Landfill waste	16	✔
6. Business travel	Air travel, accommodation, taxis	1,113	✔
7. Employee commuting	Working from home For 2024, we have excluded emissions relating to our employees' commutes to and from work, as we do not have adequate data to confidently measure the related emissions. Work is underway to close this gap in 2025. Applied Adoption Provision 4.	154	✔
8. Leased assets	Not applicable - excluded		N/A
9. Downstream transportation and distribution	Transport of cash excluded due to data limitations. Applied Adoption Provision 4.		N/A
10. Processing of sold products	Not applicable - excluded		N/A
11. Use of sold products	Not applicable - excluded		N/A
12. End of life treatment of sold products	Based on initial screening this category is not considered material.		N/A
13. Downstream leased assets	Based on initial screening this category is not considered material.		N/A
14. Franchises	Not applicable - excluded		N/A
15. Investments	See Our financed emissions on page 32		X

Operational emissions categories.

Tables 23, 24 and 25 detail the categories defined in this Climate Report including the operational emissions reported against the EY19 baseline year categories. Note that working from home, off-site EV charging and freight of cash were not included in our EY19 scope 3 baseline categories.

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 23: Scope 1 operational emissions.

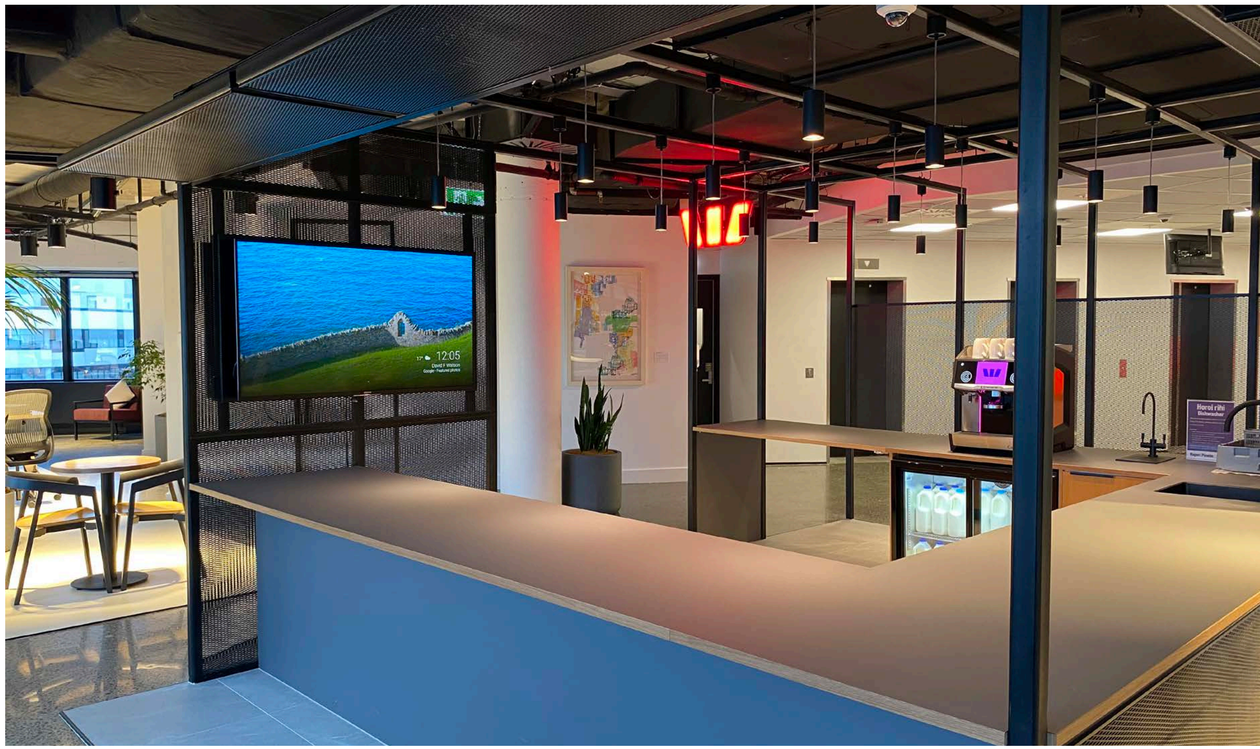
Scope category	Overview of activity	Data sources	Units	Key assumptions and limitations that may involve uncertainty
Stationary combustion	Consumption of natural gas, diesel and LPG used for stationary purposes at sites under Westpac NZ operational control.	Natural gas and LPG activity data is based on 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.	Kilowatt-hours (kWh) (Gas) Litres (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.	Kilograms (Kg) (Refrigerant)	

Scope 2 operational emissions.

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

Table 24: Scope 2 operational emissions.

Scope category	Overview of activity	Data sources	Units	Key assumptions and limitations that may involve uncertainty
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 our supply chain which exclude Scope 3 financed emissions and Scope 3 facilitated emissions.

Table 25: Scope 3 operational emissions.

GHG scope category	Overview of activity	Data sources	Units	Key assumptions and limitations that may involve uncertainty
Business travel and 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.
Employee commuting	Indirect Scope 3 emissions associated with work undertaken by Westpac NZ employees in Aotearoa 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.
Fuel and energy related activities	Indirect Scope 3 emissions from electricity and natural gas losses that are attributable to the transmission and distribution 'T and D' of electricity and natural gas to Westpac NZ These emissions are calculated using a location-based methodology.	Electricity and natural gas activity data is based on invoice records provided by our suppliers.	kWh (Electricity and 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.
Purchased goods and 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 and data centres)	It is assumed the data sources are complete and accurate. All source data is derived from supplier records.
Waste generated in operations	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)	

Appendix 3: Financed emissions

Methods, assumptions and estimation uncertainty.

Standards.

The primary standards used in our approach to calculate financed emissions are:

- The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition)
- The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard (collectively the GHG Protocol)
- PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.

WBC and Westpac NZ are not currently signatories to the PCAF Standard. However, Westpac NZ has uplifted our approach this year to align to the PCAF Standard.

Consolidation approach.

Financed emissions are calculated and reported for Westpac NZ and its subsidiaries. This excludes WBC NZ Branch and BTNZ (as we do not have operational control), which are businesses/ subsidiaries of WBC but separate entities from Westpac NZ and its subsidiaries.

Following the GHG Protocol and PCAF Standard, Westpac NZ reports financed emissions under the operational control consolidation approach.

For 2024, we have not included emissions from entities in which Westpac NZ or its subsidiaries have a minority equity interest. Further investigation into data requirements and appropriate methodologies is required to assess the possibility of reporting in future years. The emissions arising from these entities are likely to be insignificant. The entities excluded from our 2024 financed emissions calculation are Payments New Zealand, N3 Hub Limited, Akahu Technologies Limited and GetVerified Limited.

Further, Westpac NZ has not included GHG emissions in respect of the investments made by the Westpac New Zealand Staff Superannuation Scheme in its emissions reporting as the Scheme is a separate entity (a trust) that does not fall within the Westpac NZ group for financial or climate reporting purposes (as we do not have operational control).

PCAF asset classes.

In 2024, we have estimated our financed emissions associated with our lending in three asset classes:

1. Business lending
2. Commercial real estate
3. Residential mortgages.

As at 2024, 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, Government-owned entities and sovereign debt, listed equity and corporate bonds and personal motor vehicle loans are out of scope for our financed emissions calculations.

While we estimate financed emissions for project finance and business motor vehicle loans, we do not use the prescribed PCAF methodology for these asset classes due to data availability. These have been calculated using the Business lending methodology.

Facilitated emissions.

Facilitated emissions are those in respect of our facilitation of capital market transactions such as syndicated lending and pertain to the portion of the syndicated loans that are not on Westpac NZ's balance sheet. The portions of syndicated loans that are on Westpac NZ's balance sheet are within the scope for financed emissions. Our financed emissions calculations currently exclude facilitated emissions. We do not currently calculate facilitated emissions but are working on understanding the methodology and developing our approach in 2025.

Emission scopes.

We measured and reported absolute Scope 1 and 2 emissions associated with lending for our in-scope asset classes (i.e. customers' Scope 1 and 2 emissions). As required by the PCAF Standard, we measured and disclosed customers' Scope 3 emissions for selected sectors within the Business lending asset class. The sectors included are mining (including oil and gas extraction), manufacturing, transportation, construction, buildings, materials and industrial activities.

Reporting period.

Financed emissions were measured for the current financial year period: 1 October 2023 to 30 September 2024. This differs to the WBC Climate Report for the 2024 financial year which reported financed emissions for the year 1 October 2022 to 30 September 2023.

Restatement.

A restatement is required if there are any material errors, changes in methodology and/or business operations made in previous reporting periods including base year alongside an explanation of the error(s) and change(s). The restatement will be made in the first climate statement for issue after the discovery of the errors. Materiality considers both the nature and magnitude of the error.

Consideration of a material error would primarily occur if the impact of the change is 5% or greater at an overall level/asset class level/sector level or for a significant customer in a high-emitting sector. For impact consideration at an asset and sector level, this will also include a qualitative assessment based on the nature of the sector, such as emissions intensity and importance to the reader.

A restatement may be considered where there is not deemed to be a material error if the matter is deemed to sufficiently impact the consistency, comparability and relevance of information disclosed. This could include both an immaterial error or a change in methodology, definition or policy. A number of quantitative and qualitative factors are considered when determining if such a restatement will be made. Where such a restatement has been made, an explanation of the change and rationale will be disclosed.

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:

- TCE - this represents both amounts lent to customers including any approved but undrawn facilities or limits.
- Outstanding balance - refers to the amount lent to customers, excluding any approved but undrawn facilities or limits.

Each of these are termed as our "lending" to customers in this methodology appendix. Our approach of using outstanding loan amount is in alignment with the PCAF Standard.

Our approach of using TCE is a conservative deviation from the approach recommended in the PCAF Standard. 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 as demonstrated in our results in the Metrics and targets section.

Timing of data.

Lending data is as at 30 September 2024. While we seek the most recent external data for 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 to 5, with the lowest scores assigned to relatively more accurate company/property-level data and the highest scores assigned to data more reliant 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.

Emission factors.

Primarily, we use emission factors from:

- New Zealand Ministry for the Environment Measuring emissions: A guide for organisations: 2024 detailed guide which uses GWP rates from AR5
- Statistics New Zealand which use GWP from AR5 however regional inventories may be based on those from other assessment reports
- thinkstep-anz Emission Factors for New Zealand: Greenhouse Gas Emission Intensities for Commodities and Industries v1.1 which uses GWP from AR4.

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.

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.

Changes to methodologies and underlying data (refer to the Data Sources section in the methodology for each asset class) may change the estimated financed emissions results and impact comparability over time. Changes could include changing data sources, company and property data, sector allocations, emissions factors and 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, different results may occur over a time series, making comparison of the raw results difficult. 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 standards, guidance and industry approaches (including 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 obtained independent limited assurance over Westpac NZ's financed emissions for 2024 from KPMG. For more information on independent assurance, see the Assurance Report on page 53.

Methodology.

In general, we estimate financed emissions by assessing the proportion of emissions of individual customers' activities or industry sectors attributable to financing provided by Westpac NZ.

We have adopted the methodologies from the PCAF Standard. For each asset class, several approaches are used to estimate our financed emissions based on availability and quality of data inputs at the facility, customer and/or sector-levels. Where possible, we use the approach where relatively more accurate data is available.

Business lending.

Scope.

Outstanding balance includes Westpac NZ's business, commercial and institutional on-balance sheet lending. TCE includes all outstanding balances as defined above with the addition of undrawn commitments.

This includes customers in the Property sector where lending does not meet the definition of secured lending in the Commercial real estate asset class where a separate methodology is used. Business loans for the purpose of buying/leasing motor vehicles and to projects for specific purposes are also included in the Business lending asset class as opposed to the separate PCAF Motor vehicle loans asset class and Project finance asset class respectively.

Exclusions:

- 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. For more information on Commercial real estate methodology, see page 50
- Lending to government
- Merchant prepayment risk 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, customers' public disclosures and external financial market data providers
- emission factors for Scope 1 and Scope 2 were derived based on information from a combination of:
  - Statistics New Zealand (Stats NZ) GHG emissions by region (industry and household) for the year ended 2022
  - Stats NZ Business performance benchmarker for the year ended 2022
  - thinkstep anz Emission Factors for New Zealand: Greenhouse Gas Emission Intensities for Commodities and Industries v1.1
- material portions of emissions factors relating to agriculture is based on information from a combination of:
  - Stats NZ Fertilisers – nitrogen and phosphorus statistics for 2021
  - Stats NZ Agricultural production statistics: Year to June 2024
  - New Zealand Ministry for the Environment Measuring emissions: A guide for organisations: 2024 detailed guide.
- in absence of any other available information, Scope 3 emissions were estimated from spend-based factors using environmentally-extended input-output analysis from thinkstep anz Emission Factors for New Zealand: Greenhouse Gas Emission Intensities for Commodities and Industries v1.1
- sector financial ratios for industry sectors were derived for each sector based on information from Stats NZ Annual Enterprise Survey for 2023 (provisional)

Calculation approaches and data scores.

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 attribution factor is the ratio of our lending over the customer's company value. Depending on availability of customer financial data, company value is either: the enterprise value including cash 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.

We also estimate Scope 3 emissions from the sectors required by the PCAF standard. The sectors included are mining (including oil and gas extraction), manufacturing, transportation, construction, buildings, materials and industrial activities.

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 Table 26.

Table 26: Business lending calculation approaches and data quality scores.

PCAF option	PCAF data quality score	Formula	Description	% of in scope Business lending (TCE) modelled for Scope 1 and 2 emissions	% of in scope Business lending (outstanding balance) modelled for Scope 1 and 2 emissions	% of in scope Business lending (TCE) modelled for Scope 3 emissions	% of in scope Business lending (outstanding balance) modelled for Scope 3 emissions
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).	6.6%	2.9%	15.6%	6.1%
2b	3	Attribution factor X Livestock count X Estimated livestock emission 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	13.4%	17.2%	—%	—%
3a	4	Attribution factor X Customer's revenue X Sector emission 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. 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.	24.2%	26.0%	44.9%	47.4%
3c	5	Lending amount X Sector financial ratio X Sector emission factor	Customers' emissions were estimated based on economic intensity, where customer production and financial data were not available. 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'. This approach was applied to customers where customer-specific emissions, physical activity, and financial data were not available.	55.8%	53.9%	39.5%	46.4%

Commercial real estate.

Scope.

All Commercial real estate lending secured against residential and/or commercial property.

Outstanding balance includes Westpac NZ's on-balance sheet lending. TCE includes all outstanding balances as defined above with the addition of undrawn commitments. Exclusions applicable to TCE and outstanding balance:

- Pre-settlement risk
- Construction of properties as the emissions are captured under the Construction category of the Business lending asset class
- Freehold hotels and motels as the emissions of these properties are assigned to the hotel and motel operators
- Development lands (residential, industrial, office, and retail) as the emissions of the development of these properties are assigned to the developing companies.

Data sources.

Data sources used in our calculation include:

- Westpac NZ internal systems
- Estimated electricity and gas used per m^2 were sourced from the Building Energy End-use Study Part 1: Final Report BRANZ Study Report SR 297/1 for 2014
- Floor area, median floor area by industry data and land use description sourced from District Valuation Roll and Land Information New Zealand
- Emission factors were sourced from the New Zealand Ministry for the Environment Measuring emissions: A guide for organisations: 2024 detailed guide.

Calculation approaches and data scores.

We attribute a portion of the estimated emissions for each in-scope property based on attribution factors. 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.

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 tCO_2e.

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.

Table 27: Commercial real estate calculation approaches and Data Quality Scores.

PCAF option	PCAF Data Quality Score	Formula	Description	% of in scope Commercial real estate (TCE) modelled	% of in scope Commercial real estate (Outstanding balance) modelled
2b	4	Attribution factor X Floor area of property X Average emissions per m^2	Customer emissions are estimated based on estimated building energy consumption per Net Lettable Area (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 the majority of properties in our portfolio for which data on NLA floor area was available to be sourced.	70.4%	76.5%
3	5	Attribution factor X Property value X Average floor area per $ property value X Average emissions per m^2	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 a subset of properties in our portfolio where only exposure and property values are known and available.	29.6%	23.6%

Residential mortgages.

Scope.

Outstanding balance includes Westpac NZ's on-balance sheet loans to New Zealand customers (both owner-occupiers and investors) for the purchase and refinancing of residential property. TCE includes all outstanding balances as defined above with the addition of undrawn commitments.

Exclusions:

- 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
- Electricity use per household by region from the New Zealand Electricity Authority for the October 2023 to September 2024 period
- Floor area data sourced from District Valuation Roll and Land Information New Zealand
- Number of occupied dwellings sourced from Stats NZ household income by region - occupied dwellings 2023
- Emissions from heating and cooling were sourced from Stats NZ Greenhouse gas emissions by region (industry and household) 2023
- Emission factors were sourced from the New Zealand Ministry for the Environment Measuring emissions: A guide for organisations: 2024 detailed guide.

Calculation approaches and data scores.

We attribute a portion of the estimated emissions for each property based on an attribution factor. 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.

The attribution factor is the ratio of the loan amount over the property value, adjusting the ratio if multiple properties are linked to the same loan. 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 residential mortgages represent emissions created by the household energy use of mortgage customers. This includes Scope 1 and 2 emissions reported as tCO_2e. Where available, we used floor area of the dwelling to calculate this; otherwise regional average energy consumption per household was used.

Table 28: Residential mortgages calculation approaches and Data Quality Scores.

PCAF option	PCAF Data Quality Score	Formula	Description	% in scope residential mortgages (TCE) modelled	% of in scope residential mortgages (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 assumed 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.	97.1%	97.1%
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.	2.9%	2.9%

Relationship to Westpac Group's Net-Zero Banking Alliance sector targets.

Westpac NZ's financed emissions as disclosed in this report are not directly comparable to the estimated financed emissions for Net-Zero Banking Alliance targets. This is because Net-Zero Banking Alliance targets use narrower boundaries and more granular company information. This particularly applies to those Net-Zero Banking Alliance targets which are expressed as emissions intensity targets. As a result, there are some identified differences in data inputs and methodologies and therefore reported data.

Appendix 4: Exposure to heightened risks from sea-level rise

Methods, assumptions and estimation uncertainty.

In 2019, we engaged NIWA, a Crown Research Institute and one of Aotearoa's leading research bodies on climate change, to provide exposure modelling on coastal flooding and erosion against our two scenarios. The anticipated changes to coastal hazards was modelled under two climate change scenarios, RCP 2.6 and 8.5, against 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 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 (CSI).

The dataset used has the following limitations:

1. The 10% AEP coastal flood maps were produced for regions with Light Detection and Ranging (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 Land Information New Zealand (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 which 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).

Appendix 5: Exposure to heightened risks from rainfall flooding

Methods, assumptions and estimation uncertainty.

An account is considered high risk if it is directly linked to a property that is exposed. A property is considered high risk if it is situated on a parcel of land that touches a flood zone (i.e. flood area greater than 95% and flood depth greater than 50cm). A true assessment of properties exposed, which incorporates vulnerability, would require detail on where a security is within the parcel of land and information about the flood risk characteristics of the security. Incorporating flood depth and velocity to, for example, estimate the consequences of flooding is challenging given limited hazard data in many locations. This along with limited data on property floor heights, foundations and property specific adaptation and mitigation measures means we do not currently have enough information to determine vulnerability. This could be considered in future modelling exercises if data becomes available.

The scenario data includes an indicator, by property (any part of it) that is within a rainfall flooding zone with an AEP of 1% (1 in a 100 in a given year).

The indicator is:

- based on a SSP2-4.5 with a baseline of 2005
- at the 50th percentile
- stated as at the following points in time - 2022, 2031, 2036, 2041, 2046.

We have also used inundation depth, mean inundation depth and percentage of property parcel inundated to refine the analysis of properties exposed and at high risk.

The identification of exposed properties is determined by using climate data provided by an external climate specialist data provider. This has utilised our security information combined with LINZ property boundary data to map a property to the relevant geographic parcel of land - noting a parcel of land may contain multiple securities.

The match rate between our climate vendor supplied data to current Westpac NZ exposures is not 100%, meaning we cannot always match the certificate of title. However, for national climate risk portfolio analysis, this discrepancy is not material. To maintain the integrity of the analysis, we have excluded non-matched exposures from our reporting.

Climate models often exhibit a wide range of outcomes due to the complex and variable nature of the Earth’s climate system, which makes precise predictions challenging. While converting probabilistic climate scenarios into a single deterministic measure of physical risk status incorporates inherent uncertainties, it remains the most practical approach available to us at present. The definition of exposed property is for the purposes of the portfolio analysis presented in this report and may change as we understand more about flooding, other climate physical perils, adaptation and mitigation measures both locally and nationally and how this translates to the risk profile of individual properties and locations.

Independent Limited Assurance Report to the Shareholders of Westpac New Zealand Limited

Conclusion.

Our limited assurance conclusion has been formed on the basis of the matters outlined in this report.

Based on our limited assurance engagement, which is not a reasonable assurance engagement or an audit, nothing has come to our attention that would lead us to believe that, in all material respects, the Scope 1, 2 and 3 Greenhouse Gas (GHG) emissions, comprising the operating GHG emissions (Table 9, page 30), financed GHG emissions (Table 11 & 12, pages 33 and 34) and the explanatory notes included on pages 32 and 43 to 51 of the Westpac New Zealand Climate Report (Scope 1, 2 and 3 GHG emissions) has not been prepared in accordance with The Greenhouse Gas Protocol's Corporate Standards (collectively, the 'GHG Protocol' as defined below) and PCAF (2022) (the criteria) for the period 1 October 2023 to 30 September 2024.

Information subject to assurance.

We have performed an engagement to provide limited assurance in relation to Westpac New Zealand Limited's 2024 Scope 1, 2 and 3 GHG emissions for the period 1 October 2023 to 30 September 2024.

Our assurance engagement does not extend to the following:

- Climate-related disclosures on pages (pages 1-29, 31, 35-42 and 52-56);
- Any comparative GHG information and GHG Emissions Intensity (referenced throughout); and
- Performance against target section (page 30).

We have not performed any procedures with respect to the information excluded from our engagement and, therefore, no conclusion is expressed on it.

Criteria.

The criteria used as the basis of reporting include the World Resources Institute and World Business Council for Sustainable Development's Greenhouse Gas Protocol standards:

- The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition);
- The Greenhouse Gas Protocol: GHG Protocol Scope 2 Guidance: An Amendment to the GHG Protocol Corporate Standard;
- The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard;
- (collectively the GHG Protocol); and
- PCAF (2022) The Global GHG Accounting and Reporting Standard Part A: Financed Emissions, Second Edition. (PCAF).

As a result, this report may not be suitable for another purpose.

Standards we followed.

We conducted our limited assurance engagement in accordance with the International Standard on Assurance engagements (New Zealand) 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information) (ISAE (NZ) 3000 (Revised)) and the International Standard on Assurance Engagements (New Zealand) 3410 Assurance Engagements on Greenhouse Gas Statements (ISAE (NZ) 3410) issued by the New Zealand Auditing and Accounting Standards Board (Standards). We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In accordance with the Standards, we have:

- assessed the suitability of the circumstances of Westpac New Zealand Limited's use of the criteria as the basis for preparation of the Scope 1, 2 and 3 GHG emissions;
- used our professional judgement to assess the risk of material misstatement and plan and perform the engagement to obtain limited assurance that the Scope 1, 2 and 3 GHG emissions is free from material misstatement, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on the effectiveness of these controls; and
- evaluated the appropriateness of reporting policies, quantification methods and models used in the preparation of the Scope 1, 2 and 3 GHG emissions and the reasonableness of estimates made by Westpac New Zealand Limited;
- evaluated the overall presentation of the Scope 1, 2 and 3 GHG emissions; and
- ensured that the engagement team possesses the appropriate knowledge, skills and professional competencies.

Other matter.

The Scope 1, 2 and 3 GHG emissions for comparative periods included in the Climate Report was not subject to our limited assurance engagement and, accordingly, we do not express a conclusion, or provide any assurance on such information.

Our conclusion is not modified with respect to this matter.

How to interpret limited assurance and material misstatement.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included enquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Misstatements, including omissions, within the Scope 1, 2 and 3 GHG emissions are considered material if, individually or in the aggregate, they could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the Scope 1, 2 and 3 GHG emissions.

Inherent limitations.

As noted in the Westpac New Zealand Climate Report page 3, GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions of different gases.

Use of this assurance report.

Our report is made solely for Westpac New Zealand Limited. Our assurance work has been undertaken so that we might state to Westpac New Zealand Limited those matters we are required to state to them in the assurance report and for no other purpose.

Our report is released to Westpac New Zealand Limited and its shareholders on the basis that it shall not be copied, referred to or disclosed, in whole or in part, without our prior written consent. No other third party is intended to receive our report.

Our report should not be regarded as suitable to be used or relied on by anyone other than Westpac New Zealand Limited and its shareholders for any purpose or in any context. Any other person who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees accept or assume any responsibility and deny all liability to anyone other than Westpac New Zealand Limited and its shareholders for our work, for this independent assurance report, and/or for the opinions or conclusions we have reached.

Our conclusion is not modified in respect of this matter.

Westpac New Zealand Limited's responsibility for the Scope 1, 2 and 3 GHG emissions.

The Management of Westpac New Zealand Limited are responsible for the preparation of the Scope 1, 2 and 3 GHG emissions in accordance with the criteria. This responsibility includes the design, implementation and maintenance of such internal control as Management determine is relevant to enable the preparation of the Scope 1, 2 and 3 GHG emissions that is free from material misstatement whether due to fraud or error.

Our responsibility.

Our responsibility is to express a limited assurance conclusion to Westpac New Zealand Limited on whether anything has come to our attention that, in all material respects, the Scope 1, 2 and 3 GHG emissions has not been prepared in accordance with the criteria for the period 1 October 2023 to 30 September 2024.

Summary of procedures performed.

- performed interviews with relevant staff to understand key systems, processes, and controls for collating and reporting GHG emissions data;
- performed walkthroughs of key processes and data sets;
- agreed a selection of GHG emissions data to relevant underlying source documents and re-performed emission factor calculations for a limited number of items;
- for a limited number of items, assessed the reasonableness of key inputs in the financed emissions calculations by agreeing them to source documentation or underlying systems;
- recalculated financed emissions for a limited number of items for all significant asset classes; and
- assessed the financed emissions methodology against the requirements of the PCAF criteria;
- considered the presentation and disclosures of the GHG emissions and explanatory notes against the requirements of the GHG Protocol.

Our independence and quality management.

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (PES 3), which requires the firm to design, implement and operate a system of quality control including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Other than in our capacity as assurance provider, we have no relationship with, or interest in, Westpac New Zealand Limited.

KPMG

KPMG
KPMG Auckland

29 November 2024

Glossary of terms

Term	Definition
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.
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
Aotearoa New Zealand Climate Standards (NZ CS)	The External Reporting Board was enabled by the Financial Sector (Climate-Related Disclosures and Other Matters) Amendment Act 2021 (the Act) to issue a climate-related disclosure framework. In response, the External Reporting Board issued NZ CS in December 2022. NZ CS apply to Climate Reporting Entities as identified in the Act
Climate Leaders Coalition	A New Zealand CEO-led community of 80 organisations leading the response to climate change through collective, transparent and meaningful action on mitigation and adaptation.
Exposure	The IPCC defines as exposure as the presence of people; livelihoods; species or ecosystems; environmental functions, services, and resources; infrastructure; or economic, social, or cultural assets in places and settings that could be adversely affected.
Fat and protein corrected milk	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)	The world's largest coalition of financial institutions committed to transitioning the global economy to net-zero greenhouse gas emissions. Consists of of eight independent net-zero financial alliances, including the Net-Zero Banking Alliance.
Greenhouse Gas (GHG)	The seven gases mandated under the Kyoto Protocol and to be included in national inventories under the UNFCCC - carbon dioxide (CO2), methane (CH4), nitrous oxide (N2 O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF6) and nitrogen trifluoride (NF3). These 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.
Hazard	The IPCC defines hazards as the potential occurrence of a natural or human-induced physical event or trend that may cause loss of life, injury, or other health impacts, as well as damage and loss to property, infrastructure, livelihoods, service provision, ecosystems and environmental resources.

Term	Definition
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)	Works with governments and industry to shape a secure and sustainable energy future by providing authoritative analysis, data, policy recommendations and real-world solutions.
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.
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 GFANZ.
New Zealand Banking Association 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. The New Zealand Banking Association's governing body is its Council, comprising the Chief Executive of each member bank. Member banks work with a small professional team to undertake the New Zealand Banking Association's work.
The Partnership for Carbon Accounting Financials (PCAF) carbonaccountingfinancials.com	A financial industry-led initiative that 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.
Position statement	Communicates the stance or approach that a company has on a specific topic.

Glossary of terms - continued

Term	Definition
QEII National Trust (QEII) https://qeiinationaltrust.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.
Reference scenario	A projection of possible future outcomes based on certain set of climate and social parameters.
Representative Concentration Pathways (RCPs)	Adopted by the IPCC, RCPs 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.
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.
Scope 1 emissions	The release of GHGs into the atmosphere as a result of Westpac NZ's direct operations.
Scope 2 emissions	Indirect GHG emissions from the consumption of purchased electricity by Westpac NZ.
Scope 3 additional emissions	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	Mandatory supply chain emission sources required under the Toitū net carbonzero certification Programme. These include transmission and distribution losses, transport (air travel, non-fleet activity including taxi usage and private cars) and waste.
Scope 3 operational emissions	Indirect GHG emissions that occur in Westpac NZ's supply chain (mandatory and additional), excluding Scope 3 financed emissions and Scope 3 facilitated emissions.

Term	Definition
Stranded Assets https://carbontracker.org/terms/stranded-assets/	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.
Sustainability Commitments	Outlines the next evolution of Westpac NZ's sustainability journey.
Sustainable Finance Forum	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. The Sustainable Finance Forum was succeeded by the Centre for Sustainable Finance: Toitū Tahua.
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. · First Line: Own and manage end-to-end risks · Second Line: Risk specialists that provide independent oversight, insight and control · Third Line: Independent assurance
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
Total Committed Exposure (TCE)	Represents both amounts lent to customers and any approved but undrawn facilities or limits.
Transaction managed business lending	Lending over $1 million or other lending that is more complex.
Vulnerability	The IPCC defines vulnerability as the propensity or predisposition to be adversely affected. Vulnerability encompasses a variety of concepts and elements, including sensitivity or susceptibility to harm and lack of capacity to cope and adapt.
Westpac Group	Westpac Banking Corporation and its controlled entities.

TOGETHER GREATER

MAHI TAHI TĀTOU

KAHA AKE TĀTOU