



Westpac Climate Bond Impact Report 2019

As at 30 September 2018

Westpac Banking Corporation
ABN 33 007 457 141

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Climate Change Solutions

Overview

- Westpac Group has long recognised that climate change is one of the most significant issues that will impact the long-term prosperity of our economy and way of life.
- Westpac is one of 28 banks from around the world working to develop Principles for Responsible Banking – aligning the purpose of banking with society’s goals as expressed in the United Nations Sustainable Development Goals (SDGs) and the Paris Climate Agreement as part of a United Nations Environment Programme Finance Initiative (UNEP FI).
- *Westpac is focussed on providing finance to back Climate Change Solutions*
 - Westpac’s Climate Change Position Statement and Action Plan builds on our strong track record, outlining the next phase of actions we are taking to meet our commitment to operate in a manner consistent with limiting global warming to less than two degrees Celsius above pre-industrial levels. They also set our Climate Change Solutions financing targets required to remain on a credible pathway to net zero emissions by 2050.
 - We define Climate Change Solutions as technologies and practices that are consistent with the investment required to limit global warming to less than two degrees and address its impacts.¹
 - Westpac’s plan to provide finance to back Climate Change Solutions encompasses the total direct and indirect financing of customers’ Climate Change Solutions activities.
- *Westpac Climate Bonds*
 - Westpac issues Climate Bonds as part of its commitment to facilitate up to \$3 billion in Climate Change Solutions by 2020.
 - The net proceeds of a Climate Bond are used to finance or maintain the finance for projects/assets which meet the requirements of the CBI standard (which is also aligned with the Green Bond Principles). The procedures outlined in our Climate Bond Framework set out the process for regular tracking of the Climate Bond issuance and asset allocation pool.
 - More information can be found at: <https://www.westpac.com.au/about-westpac/investor-centre/fixed-income-investors/Climate-Bonds/>

¹ As per our scenario analysis and external sources such as the IPCC Fifth Assessment Report and Climate Bond Initiative’s criteria.

Climate Change Solutions

Overview cont.

- **Climate Change Solutions** are assessed to comply with the Equator Principles¹ where the asset is financed by project finance.
- They have been identified as (but are not limited to)²:
 - Renewable energy;
 - Energy efficiency technologies;
 - Green buildings;
 - Low-emissions transport;
 - Waste;
 - Water;
 - Carbon abatement and sequestration projects;
 - Forestry and land rehabilitation;
 - Adaptation infrastructure.
- **Climate Bonds**' net proceeds raised to date have been allocated to projects/assets in three categories, namely – renewable energy (solar and wind), green buildings and low carbon transport (rail).

¹ As a founding signatory to the Equator Principles, where an asset is financed by project finance, Westpac agreed to provide loans only for projects whose sponsors can demonstrate their ability and willingness to comply with processes that ensure they are developed in a socially responsible manner, according to sound environmental management practices

² Find out more at <https://www.westpac.com.au/about-westpac/sustainability/>



Climate Bond Issuance and Project/Asset Allocation

AGGREGATE STATISTICS (30/09/2018)

| Energy Efficiency | TCE ¹ (A\$m) | Drawn Amount ² (A\$m) | Share of Climate Bond Pool ³ (%) |
|-----------------------------------|---------------------------|----------------------------------|---|
| Renewable Energy Projects (Solar) | 235.0 | 184.0 | 7.8 |
| Renewable Energy Projects (Wind) | 1,108.2 | 872.8 | 36.7 |
| Green Buildings | 910.6 | 815.5 | 30.2 |
| Low Carbon Transport (Rail) | 763.7 | 403.7 | 25.3 |
| Total | 3017.5⁴ | 2,276.0 | 100.0 |

| Outstanding Issuance (as at 30/09/18) | A\$m Equivalent ⁵ | Original Currency (m) | Public/Private |
|---------------------------------------|------------------------------|-----------------------|---------------------------|
| AUD senior 5 year due 2021 | 500.0 | AUD 500.0 | Public AUD MTN Benchmark |
| USD senior 10 year due 2027 | 63.8 | USD 50.0 | Private Placement |
| EUR senior 7 year due date 2024 | 754.0 | EUR 500.0 | Public EUR EMTN Benchmark |
| AUD senior 5 year due date 2023 | 117.3 | AUD 117.3 | Public Uridashi |
| Total | 1,435.1 | | |

Remaining Pool Capacity 1,582.4

GREEN BUILDINGS

| Customer | State | Description |
|--|-------|-------------------------------|
| 321 Exhibition Street, Melbourne | VIC | 6 Star NABERS Rating |
| Green Building 1 | ACT | 5 Star NABERS Rating |
| Green Building 2 | NSW | 5 Star NABERS Rating |
| 55 Elizabeth Street, Brisbane | QLD | 5.5 Star NABERS Rating |
| Horizon MP Management, 70 Eagle Street | QLD | 5 Star NABERS Rating |
| Green Building 3 | NSW | 5 Star NABERS Rating |
| Green Building 4 | NSW | 5 Star NABERS Rating Expected |
| PGA Creek | QLD | 5.5 Star NABERS Rating |
| Zenith Sub Trust, Chatswood | NSW | 5 Star NABERS Rating |

RENEWABLE ENERGY - WIND

| Customer | State | Description |
|---|-------|---|
| Collgar Wind Farm | VIC | Direct lending and refinancing of existing asset. |
| Wind Asset 1 | NSW | Project finance to support construction of wind farm. |
| Wind Asset 2 | TAS | Project finance to support construction of wind farm. |
| Gunning Wind Energy Developments Pty Ltd | WA | Direct lending and refinancing of existing asset. |
| Hallett 4 Wind Farm (North Brown Hill) | SA | Direct lending and refinancing of existing asset. |
| Hallett 5 Wind Farm (Bluff Range) | SA | Direct lending and refinancing of existing asset. |
| Infigen Energy Limited | NSW | Corporate lending over renewable portfolio. |
| Lal Lal Wind Farm | VIC | Project finance to support construction of wind farm. |
| Murra Warra Wind Farm | VIC | Support construction of the wind farm. |
| Oaklands Hill Wind Farm | VIC | Direct lending and refinancing of existing asset. |
| PARF Coopers Gap Wind Farm | QLD | Project finance to support construction of wind farm. |
| PARF Silverton Wind Farm | NSW | Project finance to support construction of wind farm. |
| Pyrenees Wind Energy Developments Pty Ltd | VIC | Direct lending and refinancing of existing asset. |
| Wind Asset 3 | VIC | Support construction of the wind farm. |
| Tilt Renewables Group | AUST | Corporate lending over wholly renewable portfolio. |
| Wind Asset 4 | VIC | Provides transmission infrastructure. |
| White Rock Wind Farm | NSW | Project finance to support operation of wind farm. |

LOW CARBON TRANSPORT (RAIL)

| Customer | State | Description |
|----------------|-------|--------------------------------------|
| Rail Asset 1 | NSW | Rail station operator. |
| Evolution Rail | VIC | High Capacity Metro Trains ("HCMT"). |
| Rail Asset 2 | NSW | Includes 100% green power mandate. |
| Rail Asset 3 | NSW | Financing for Metro Train Tunnel. |

RENEWABLE ENERGY - SOLAR


| Customer | State | Description |
|--|-------|---|
| Emerald Solar Farm | QLD | Project Finance for construction of solar farm. |
| Pacific Hydro Houghton Solar Farm | QLD | Project Finance for construction of solar farm. |
| PARF Finco 1 (Nyngan and Broken Hill PV) | NSW | Direct lending and refinancing of existing asset. |
| Ross River Operations Trust | QLD | Project Financed 116MW solar project. |

Notes

- ¹ TCE (Total Committed Exposures) represent the lending commitment to fund the projects/assets.
- ² The amount drawn against the lending commitment for each project/asset.
- ³ Share of Climate Bond Pool is calculated as % of TCE.

- ⁴ Total TCE is A\$232.7m less than audited FY18 TCE as Westpac has subsequently determined two assets which have become ineligible, and have removed these from the allocated pool.
- ⁵ FX rate used to derive the AUD equivalent is at the time of the Climate Bond issuance.

Environmental Impacts – Green Buildings



Environmental Impacts

- Green Buildings financed in part by Westpac Climate Bonds on average, have a 16% lower greenhouse gas (GHG) emissions intensity (kgCO₂-e/m²) compared to the average Climate Bond Initiative (CBI) top 15% city emissions performance benchmark for energy efficiency.¹

Environmental Impact Assessment Overview

As at 30 September 2018


| Energy Efficiency | Total Committed Exposure A\$m | Share of Portfolio Financing (%) | Eligibility for Climate Bonds (%) | Average Portfolio Lifetime (Months) ² | Net Lettable Area (m ²) | Average Portfolio GHG Intensity (kgCO ₂ -e/m ²) | Better than Average CBI Top 15% City Emissions Performance Benchmark (%) |
|-------------------|-------------------------------|----------------------------------|-----------------------------------|--|-------------------------------------|--|--|
| Green Buildings | 910.6 | 30.2 | 100 | 12.6 | 322,701.8 | 59.7 | 16.0 |
| TOTAL | 910.6 | 30.2 | 100 | 12.6 | 322,701.8 | 59.7 | 16.0 |

- Green Buildings make up 30.2% of the total share of portfolio financing as at 30 September 2018.
- Green Building financing varies across assets, and we have estimated Westpac’s share of financing at 25-50%.
- Eligibility criteria is assessed in accordance with CBI sector-specific technical criteria.
- Each Green Building is assessed for its GHG intensity via published information on NABERS (if the building has been in operation for more than 1 year and has a NABERS rating). Where NABERS ratings and published information is not available, Westpac endeavours to use best estimates from asset owners such as engineer’s reports. The average portfolio GHG intensity (kgCO₂-e/m²) is then compared to the average CBI top 15% city emissions performance benchmark.
- CBI standard uses emission footprint baseline in a particular city representing the top 15% for carbon intensity (kgCO₂-e/m²). Average city GHG intensity is 71.3 kgCO₂-e/m² per year (using CBI calculator 2016-2027 duration).

Notes

- ¹ Average CBI top 15% city emissions performance benchmark includes only those cities relevant to the Green Buildings in Westpac’s Climate Bond pool. The performance benchmark is linked to Westpac Climate Bond issuances’ 10 year duration.
- ² Most projects are refinanced on a 5 yearly cycle, regardless of project lifetime.

Environmental Impacts – Renewable Energy



- Renewable energy (RE) projects financed in part by Westpac Climate Bonds have the potential to:
 - Generate 13.4 million megawatt hours (MWh) of clean energy.
 - Reduce annual GHG emissions by 11.0 million tonnes of carbon dioxide equivalents (tCO₂-e).
 - Westpac’s estimated share for renewable energy is 3.3 million tCO₂-e avoided.

Environmental Impact Assessment Overview

As at 30 September 2018


| Energy Efficiency | Total Committed Exposure A\$m | Share of Portfolio Financing (%) | Eligibility for Climate Bonds (%) | Average Portfolio Lifetime (Months) ¹ | Capacity (MW) | Annual Energy Generation (MWh) | Annual GHG emissions avoided (tCO ₂ -e) | Westpac’s estimated proportion (tCO ₂ -e) |
|---------------------|-------------------------------|----------------------------------|-----------------------------------|--|----------------|--------------------------------|--|--|
| RE Projects (Wind) | 1,108.2 | 36.7 | 100 | 22.9 | 4,089.5 | 12,244,482.0 | 10,040,475.3 | 3,012,142.6 |
| RE Projects (Solar) | 235.0 | 7.8 | 100 | 29.1 | 439.0 | 1,137,067.1 | 932,395.0 | 279,718.5 |
| TOTAL | 1,343.2 | 44.5 | 100 | 52.0 | 4,528.5 | 13,381,549.1 | 10,972,870.3 | 3,291,861.1 |

- RE projects make up 44.5% of the total share of portfolio financing as at 30 September 2018. RE project financing is generally syndicated across several banks and Westpac’s average share is approximately 30%.
- Energy generation for RE projects are based on actual or forecast² generation data (MWh/year) from either project/asset operating reports, due diligence reports or origination submissions CRG reports.
- Emission reductions (tCO₂-e/MWh) is the Grid Connected Total for 2016-2017 of 0.82 multiplied by MWh Generated (annual). The GHG intensity is the sum of total emissions (tCO₂-e) / Electricity Production (MWh) for the Grid Connected Total of the generation facilities (these are reported by National Greenhouse and Energy Reporting (NGER)).
- Where projects are still in construction, electricity generation (MWh/year) has been forecast and the NGER GHG intensity is applied.

Notes

- ¹ Most projects are refinanced on a 5 yearly cycle, regardless of project lifetime.
- ² Forecast data is based on P50 Predicted methodology.

Environmental Impacts – Low Carbon Transport



- Low Carbon Transport (Rail) projects financed in part by Westpac Climate Bonds:
 - Have the potential to reduce annual GHG emissions by 112,864.5 tCO₂-e.
 - Westpac’s estimated share for low carbon transport is 33,057.1 of the total annual GHG emissions avoided.

Environmental Impact Assessment Overview

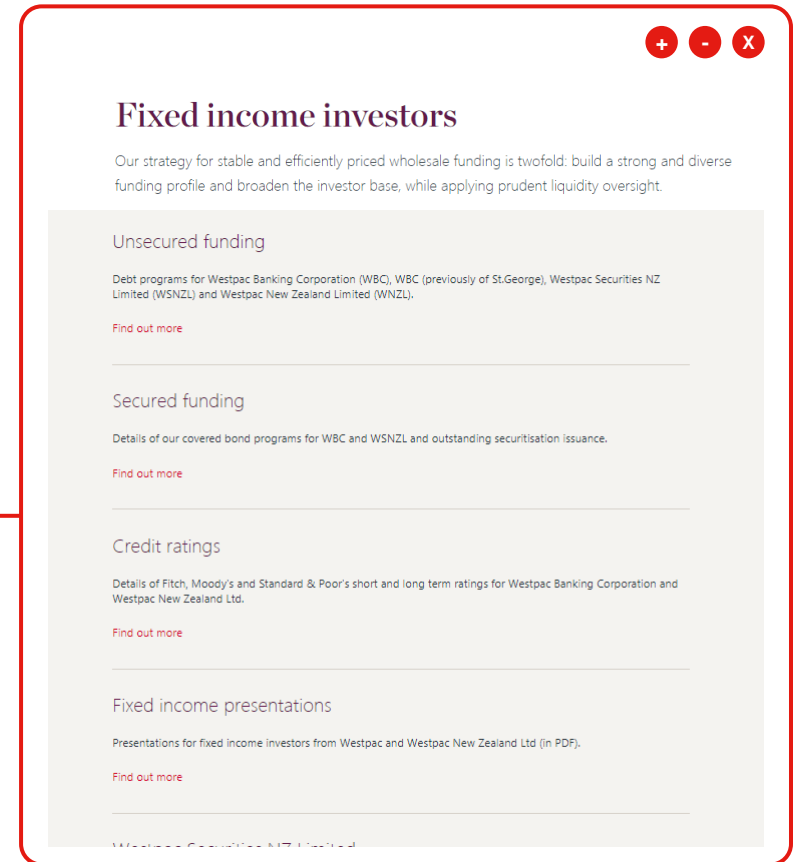
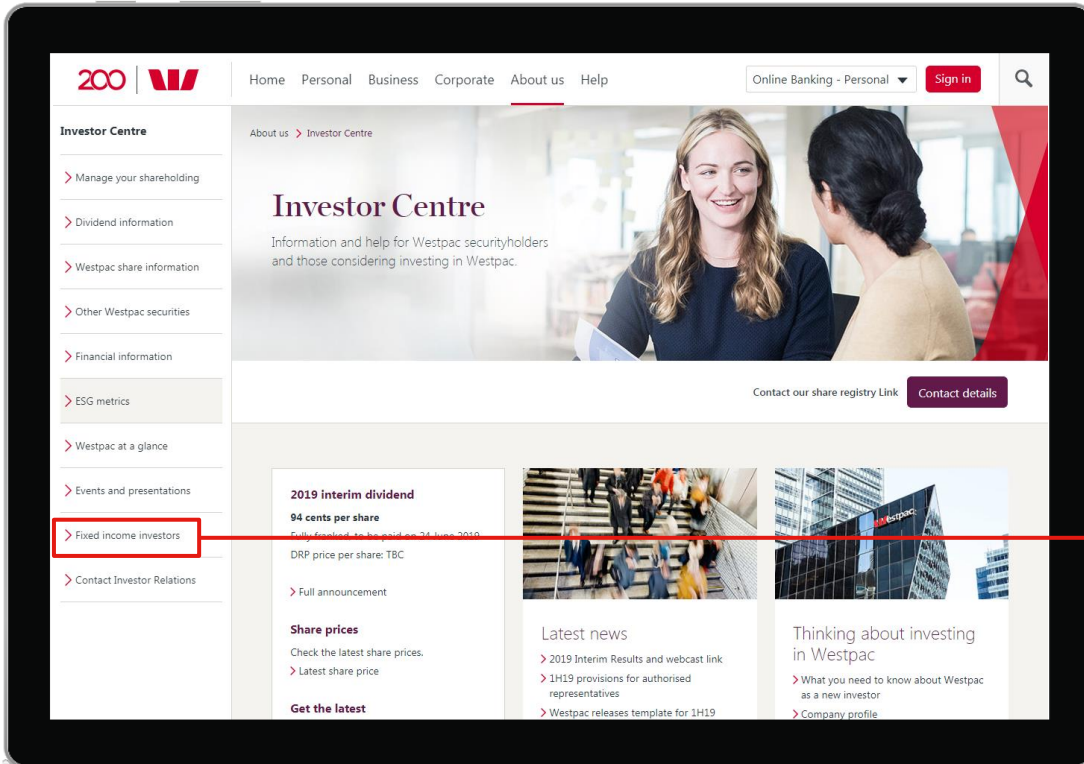
As at 30 September 2018

| Energy Efficiency | Total Committed Exposure A\$m | Share of Portfolio Financing (%) | Eligibility for Climate Bonds (%) | Average Portfolio Lifetime (Months) ¹ | Annual GHG emissions avoided (tCO ₂ -e) | Westpac’s estimated proportion ¹ (tCO ₂ -e) |
|-----------------------------|-------------------------------|----------------------------------|-----------------------------------|--|--|---|
| Low Carbon Transport (Rail) | 763.7 | 25.3 | 100 | 46.4 | 112,864.5 | 33,057.1 |
| TOTAL | 763.7 | 25.3 | 100 | 46.4 | 112,864.5 | 33,057.1 |

- Low Carbon Transport (Rail) projects make up 25.3% of the total share of portfolio financing as at 30 September 2018. The assets/projects in the Climate Bond pool relate to rail and are under construction or in operation.
- Low Carbon Transport financing is generally syndicated across several banks and we estimate Westpac’s average share to be approximately 37%².
- In estimating the GHG emissions avoided (tCO₂-e), the focus was on the operational phase of the asset/project life cycle³. The estimated numbers are sourced from either the asset/projects’ environmental effects statements or based on modal shift by comparing road transport GHG emissions per annum to passenger rail travel GHG emissions per annum⁴.

Notes

- ¹ Most projects are refinanced on a 5 yearly cycle, regardless of project lifetime.
- ² Actual share of financing is used to estimate the proportion of emissions avoided if this data point is available, otherwise it is assumed that Westpac’s share is 30%.
- ³ Where information is available on GHG emission intensity of the project during the construction phase, this has been included in estimate of the GHG emission avoided (tCO₂-e).
- ⁴ The functional unit used for the modal shift is assumed to be 150 grams CO₂ per passenger kilometres travelled (PKT) for cars and 90 grams CO₂ per PKT for national average passenger rail projected to 2030 (source: Transport for NSW).



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