

# Westpac Climate Bond Impact Report



May 2017



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## Westpac's Approach to Climate Change

- The 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
- Since we set out our first climate change action plan almost a decade ago, we have been helping customers and communities transition to a low carbon economy
- Westpac 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 a manner consistent with limiting global warming to less than two degrees Celsius above pre-industrial levels

## Our Principles

The core principles that guide and inform Westpac's approach to climate change are:

1. A transition to a net zero emissions economy is required
2. Economic growth and emissions reductions are complementary goals
3. Addressing climate change creates financial opportunities
4. Climate-related risk is a financial risk
5. Transparency and disclosure matters

## Our 2020 Action Plan

The following focus areas will direct Westpac's actions on climate change:

1. Provide finance to back climate change solutions
2. Support businesses that manage their climate-related risks
3. Help individual customers respond to climate change
4. Improve and disclose our climate change performance
5. Advocate for policies that stimulate investment in climate change solutions



## Why issue climate bonds?

- Provides financing for Westpac customers directly involved in renewable energy and low carbon projects
- Supports the development of the green bond market in Australia

## Providing finance to back climate change solutions

- Transition to a net zero emissions economy is reliant on the availability of cost effective low carbon solutions
- In our role as a financial intermediary Westpac acts as a market facilitator and partner to existing and new customers, backing financially viable, affordable, low carbon solutions that will drive the transition to a net zero emissions economy whilst accelerating the reduction in emissions
- Climate change solutions include, but are not limited to, the following activities:
  - Renewable energy
  - Energy efficiency technologies
  - Green buildings
  - Low-emissions transport
  - Waste
  - Water
  - Carbon abatement and sequestration projects
  - Forestry and land rehabilitation
  - Adaptation infrastructure

## Providing finance to back climate change solutions

- Westpac's 2020 Action Plan includes the following targets:
  - Increase our target lending exposure to climate change solutions from \$6 billion to \$10 billion by 2020
  - Facilitate up to \$3 billion in climate change solutions by 2020, including green bond issuance (including climate bonds) and arrangement
  - Increase our target lending exposure to climate change solutions to \$25 billion by 2030<sup>1</sup>
- Westpac issued its first Climate Bond in June 2016
  - Westpac Climate Bonds give investors the opportunity to support environmental projects through a high-grade fixed income investment
  - To date, funds from Westpac Climate Bonds are allocated to climate change solutions, including wind energy facilities and low carbon commercial properties, all certified under the Climate Bonds Standard (v1)
  - In addition, the commercial properties are rated five-stars or higher under the NABERS rating system

<sup>1</sup> This target will be updated in the next update of this strategy to reflect changes in technology, policy, climate science and investment assumptions and as our approach evolves.

## Rationale

- Consistent with Westpac's sustainability approach
- Supports our customers in low carbon industries and increases visibility of Westpac's sustainable loan book
- Supports further development of the green capital market and growing demand for sustainable investments
- Funding diversification

## Format

- Use-of-proceeds bond
- Rank as senior, unsecured obligations of Westpac Banking Corporation (AA- / Aa2 / AA-)
- Issued off the Westpac Australian Domestic Debt Program or EMTN
- Direct obligations of Westpac; no project risk

## Use of proceeds

- Proceeds of the Westpac Climate Bond will be used to fund an existing pool of assets
  - Renewable energy projects represent 46% of asset pool
  - Renewable energy infrastructure 5% of asset pool
  - Green commercial property represents 49% of asset pool

## Asset selection criteria

- Assets selected represent Westpac's direct financing with each entity
- Commercial property that meets or exceeds the Climate Bonds Initiative's (CBI), Climate Bonds Standards (CBS) for low carbon commercial buildings

## Certification

- Westpac will issue a use-of-proceeds bond as certified by the Climate Bonds Initiative
- A standard recourse-to-the-issuer debt obligation for which the proceeds shall be allocated to eligible projects and physical assets or loans made to finance physical assets, that comply with the Climate Bonds Standard. The internal tracking and use-of-proceeds and Westpac internal processes have been verified by an independent third party verifier



# Projects included in Climate Bond pool

CUSTOMER	STATE	SECTOR	DESCRIPTION
<b>EXISTING ASSETS</b>			
Gunning Wind Energy Developments Pty Ltd	NSW	Wind Generation	Direct lending and refinancing of existing asset
Collgar Wind Farm	WA	Wind Generation	Direct lending and refinancing of existing asset
Oaklands Hill Wind Farm	VIC	Wind Generation	Direct lending and refinancing of existing asset
Hallett 4 Wind Farm	SA	Wind Generation	Direct lending and refinancing of existing asset
Hallett 5 Wind Farm	SA	Wind Generation	Direct lending and refinancing of existing asset
Pyrenees Wind Energy Developments Pty Ltd	VIC	Wind Generation	Direct lending and refinancing of existing asset
Wind Farm 1	AUST	Wind Generation	Direct lending and refinancing of existing asset
ATO Adelaide – Charter Hall	SA	Low Carbon Commercial Prop	5 Star NABERS rating
Horizon MP Management (70 Eagle Street)	QLD	Low Carbon Commercial Prop	5 Star NABERS rating
Green Building 1	AUST	Low Carbon Commercial Prop	5 Star NABERS rating
Green Building 2	AUST	Low Carbon Commercial Prop	5 Star NABERS rating
<b>NEW ASSETS</b>			
City West ACT	ACT	Low Carbon Commercial Prop	5 Star NABERS rating
40 Creek Street Brisbane	QLD	Low Carbon Commercial Prop	5.5 Star NABERS rating
Bankwest Place Perth	WA	Low Carbon Commercial Prop	5 Star NABERS rating
55 Elizabeth Street Brisbane	QLD	Low Carbon Commercial Prop	5 Star NABERS rating
Zenith Sub Trust, Chatswood	NSW	Low Carbon Commercial Prop	5 Star NABERS rating
Wind Farm 2	NSW	Wind Generation	Direct lending and refinancing of existing asset
Transmission Operations (Australia) 2 Pty Ltd	VIC	Other / Wind Generation	Direct lending and refinancing of existing asset
Transmission Operations (Australia) Pty Ltd	VIC	Other / Wind Generation	Direct lending and refinancing of existing asset
<b>PAID DOWN ASSETS</b>			
Walker Collins St Building 4B Trust	VIC	Low Carbon Commercial Prop	Green Property Asset, 5 Star NABERS rating
<b>AGGREGATE STATISTICS</b>			
	<b>\$m</b>	<b>%</b>	
Renewable Energy Projects	AUD 566.56	46	
Green Buildings	AUD 606.77	49	
Other	AUD 61.49	5	
<b>Total</b>	<b>AUD 1,234.82</b>	<b>100</b>	
<b>Outstanding Issuance</b>			
	<b>\$m</b>	<b>Public/Private</b>	
AUD senior 5 year due 2021	AUD500	Public Benchmark	
USD senior 10 year due 2027	USD50 / AUD66	Private Placement (FX 0.7629 as at 31/03/17)	
<b>Remaining Pool Capacity</b>	<b>AUD668</b>		

# Westpac Climate Bond – Environmental Impacts



- Renewable energy projects financed in part by Westpac Climate Bonds have, to date:
  - Generated 2.6 million megawatt hours (MWh) of clean energy (a megawatt hour is equivalent to the amount of electricity used by about 330 homes during one hour)
  - Reduced annual greenhouse gas emissions (GHG) by 2.3 million tCO<sub>2</sub>e (tonne of carbon dioxide equivalents)
- Green buildings financed in part by Westpac Climate Bonds have, on average, performed 8% better than the state benchmark for energy efficiency using a ten year period

As at 31 March 2017

Energy Efficiency	Signed Amount (TCE, A\$m)	Share of Portfolio Financing (%)	Eligibility for Green Bonds (%)	Net Lettable Area (sqm)	MW Capacity (MW)	Average Portfolio Lifetime (Months)	Annual Energy Generation (MWh)	Annual GHG emissions reduced/avoided (tCO <sub>2</sub> e)	Better than Benchmark Index
Renewable Energy Projects	566.56	46	100		810.08	34	2,643,264.10	2,347,218.52	-
Green Buildings	606.77	49	100	224,054	0	21	-	-	8%
Other (RE Infrastructure)	61.49	5	100		0	34	-	-	-
	<b>1,234.82</b>	<b>100</b>	<b>100</b>		<b>810.08</b>	<b>28</b>	<b>2,643,264.10</b>	<b>2,347,218.52</b>	<b>8%</b>

- Notes**
- Emission reductions (TCO<sub>2</sub>e/MWh) is GHG intensity (National Energy Market GHG Cal 2016 of 0.888) \* MWh Generated (annual)
    - (Intensity is sum of daily total emissions/energy)
  - Assumption for RE assets based on Cal 2016 Generation from either asset operating reports or AEMO dispatch data
  - Renewable energy financing is generally syndicated across several banks and Westpac's share has been estimated at 25-30% in the numbers above
  - Green Building financing varies across assets and Westpac's share has been estimated at 25-50% in the numbers above

# Information for investors

www.westpac.com.au/investorcentre

The screenshot shows the Westpac Investor Centre website. The main navigation bar includes 'Home', 'Personal', 'Business', 'Corporate', and 'About us'. The left sidebar lists various investor services, with 'Fixed income investors' circled in red. A red arrow points from this circle to the text 'Access reports here'. The main content area displays the 'Investor Centre' header and a list of links for 'Fixed income investors', including 'Unsecured funding', 'Secured funding', 'Credit ratings', 'Fixed income presentations', 'Global funding contacts', 'Westpac Securities NZ Limited', and 'WBC Climate Bonds'. An inset window shows the 'WBC Climate Bonds' page, which includes sections for 'Fixed income investors', 'Unsecured funding', 'Secured funding', 'Credit ratings', 'Fixed income presentations', 'Global funding contacts', 'Westpac Securities NZ Limited', and 'WBC Climate Bonds'. The 'WBC Climate Bonds' section contains detailed information about the bonds, including their purpose, funding categories, and contact details for Alexander Bischoff, Richard Salmon, and Jacqueline Boddy.

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