

## Defence Sector Position Statement.

March 2024

### Purpose

This position statement outlines Westpac Group's approach to responsible provision of products and services to customers that develop, test, manufacture, distribute, sell, store, maintain or acquire defence equipment or provide defence-related services to the sector (Defence Sector Customers). Services to the defence sector may include technical assistance, training and logistical support.

### Scope

This statement applies to:

- All products and services for institutional customers, lending to commercial customers and excluding Wealth Management (Superannuation, Investments and Platforms).
- All customers engaged in defence activities/sector (as defined above), regardless of the size or materiality of those activities relative to its operations.
- All Westpac Group operating locations, noting we continue to work on implementation and alignment in the locations where we operate.

### Our position

Westpac has a role to play in supporting both the Australian Defence Force and the New Zealand Defence Force and therefore may provide products and services to customers who supply defence equipment or defence services to the Australian Defence Force and/or the New Zealand Defence Force. Westpac may also provide products and services to other Defence Sector Customers.

However, Westpac's position is that we seek to not provide products and services to Defence Sector Customers that:

- are engaged in the activities/sector in scope (as defined above) in relation to *Controversial Weapons*. This includes components designed for specific use in, and forming a key constituent component required for the functioning of, *Controversial Weapons*<sup>1</sup>
- are engaged in the activities/sector in scope (as defined above) in relation to nuclear weapons, except where they only contribute to government-controlled nuclear weapons programs in NATO countries that are authorised to possess nuclear weapons under the Nuclear Non-Proliferation Treaty (NPT)

<sup>1</sup> Controversial weapons are those weapons banned under international agreements ratified by Australia:

- cluster munitions (Convention on Cluster Munitions);
- anti-personnel land mines (Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction)
- chemical and biological weapons (Chemical and Biological and Toxic Weapons Conventions).
- blinding laser weapons, incendiary weapons, booby traps and non-detectable fragments (Additional Protocol (Protocol IV) entitled Protocol on Blinding Laser Weapons) to the Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons which may be deemed to be Excessively Injurious or to have Indiscriminate Effects of 10 October 1980).

- do not meet our financial crime policy requirements, including for economic and trade sanctions (Sanctions), anti-bribery & corruption (ABC), and anti-money laundering and counter-terrorism financing (AML/CTF)<sup>2</sup>. This includes products and services to facilitate the export or provision of defence equipment or services, directly or indirectly, for end use by any country that is subject to an arms embargo or export control related to military end use, as imposed by the United Nations Security Council, Australia, the US, the UK or any other jurisdiction in which Westpac Group is registered, operates or otherwise has a presence.

## Our approach

When providing products and services to Defence Sector Customers, assessment of risk should consider relevant material risks such as those below. Following that assessment, where residual risk is assessed as high (likely to cause major or severe social or environmental impacts) then we may consider whether application of conditions will sufficiently manage the risks, or else we may decline the transaction.

- Social (including human rights):** management of human rights risks and impacts. This includes security practices, commitment to respect human rights, due diligence processes, availability of effective grievance mechanisms and access to remedy for violations of human rights, the likely end use human rights impacts of defence equipment or services, risk of export or provision of defence equipment or services for end-use in countries with high human rights risk<sup>3</sup>, and third-party transfers and risk of diversion.
- Stakeholder engagement:** approach to engaging relevant stakeholders on sustainability-related concerns.
- Supply chain:** responsible management of sustainability risks associated more broadly with business activities, including supply chain practices.
- Legal compliance:** compliance with applicable laws, regulations, treaties and protocols as relevant to the operations and sector. This includes export licenses and controls in relation to transfers of conventional arms and dual-use goods and technologies, and consideration of evolving risks associated with developing weapons technology where the legislative regime is not mature, for example fully autonomous weapons.
- Corporate structure:** sustainability risks associated with related entities, and other arrangements such as joint ventures.
- Governance:** corporate and product governance, management of privacy, data and other ethical concerns, management of financial crime risks related to Sanctions, ABC, AML, CTF and tax transparency, joint arrangements such as joint ventures.
- Funding / transaction type:** how funds will be used, such as for general use or specific uses.
- Environment:** management of material environmental risks and impacts, such as carbon emissions and natural capital.

## Applying our positions

Westpac's Sustainability Risk Management Framework sets out our approach to managing sustainability risk including use of position statements.

This framework is approved by the Board Risk Committee. Management of our sustainability approach is delegated by the CEO to Group Executives and senior management across the Group.

We continue work to operationalise our position statements and improve our risk management.

See our [Approach to Sustainability Risk Management](#) for more information.

<sup>2</sup> <https://www.westpac.com.au/about-westpac/westpac-group/corporate-governance/>

<sup>3</sup> For example, designated conflict-affected areas, high-risk areas or crisis zones; countries party to ongoing conflicts; countries with high levels of political or civil stability; countries with weak human rights protections in place.