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WESTPAC BANKING CORPORATION  
ABN 33 007 457 141

# NATURAL CAPITAL POSITION STATEMENT

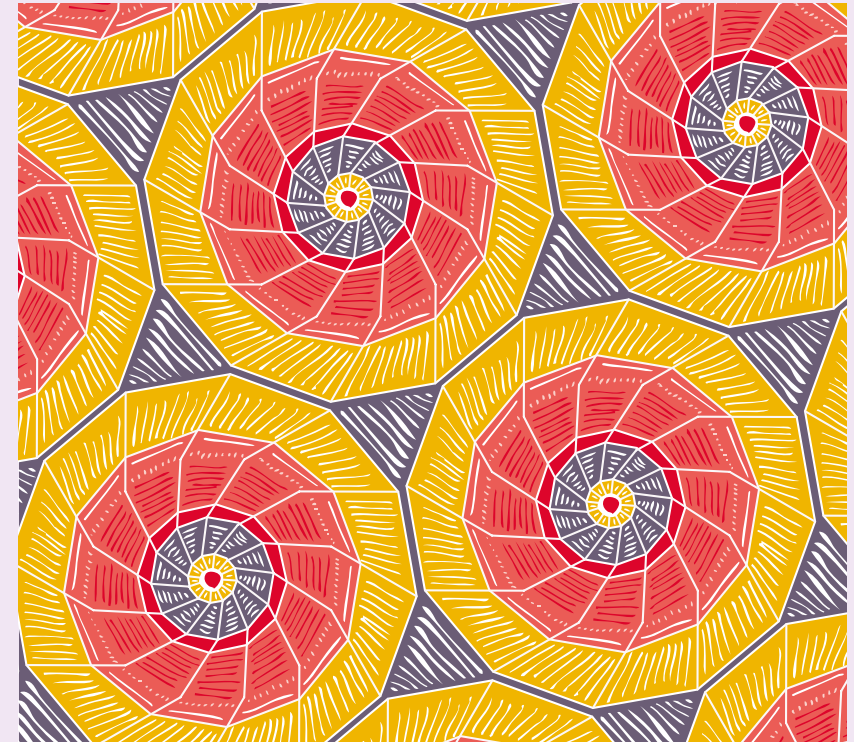


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In this document a reference to 'Westpac', 'we' and 'our' is to Westpac Institutional Bank (WIB), Business and Wealth, and Westpac New Zealand (WNZL) Institutional and Business Bank. Unless otherwise stated, this Position Statement applies globally, incorporating all Westpac Group brands (including Westpac, St. George, BankSA, Bank of Melbourne and RAMS) and locations across Australia, New Zealand, United Kingdom, United States of America, Germany and Singapore, but excludes Fiji and PNG. Unless otherwise stated, all dollar amounts are in Australian Dollars.

Any representations made in this document as to future actions, including forward-looking statements and commitments, are predictive in character. Whilst every effort has been made to ensure that the assumptions on which the relevant statement is based are reasonable, these statements and the implementation process and/or outcome(s) may be affected or impacted by incorrect assumptions and/or by known or unknown risks, uncertainties or events beyond the control of the Westpac Group. As a result, the ultimate outcome(s) may differ from the action(s) described in this Position Statement. Please refer to the full disclaimer at the back of this Position Statement.



## ACKNOWLEDGMENT OF INDIGENOUS PEOPLES

Westpac acknowledges the First Peoples of Australia and recognises their ongoing role as Traditional Owners of the land and waters of this country, and we pay respect to Elders past and present. We extend that respect to Westpac's Aboriginal and Torres Strait Islander employees, partners and stakeholders, and to the Indigenous Peoples in the other locations where we operate.

In Aotearoa (New Zealand) we also acknowledge tangata whenua and the unique relationship that Indigenous Peoples share with all New Zealanders as partners and custodians of their natural ecosystems under Te Tiriti o Waitangi.

# OUR NATURAL CAPITAL POSITION STATEMENT

Human health, food, economies and well-being depend on nature. One million of the world's estimated eight million species of plants and animals are threatened with extinction. Meanwhile, ecosystem degradation is affecting the well-being of 40 per cent of the global population<sup>1</sup>.

Nature is defined as the natural world, with an emphasis on the diversity of living organisms, including people, and their interactions among themselves and with their environment<sup>2</sup>. More than half of the world's economic output is highly or moderately dependent on nature<sup>3</sup>. The health of nature underpins the health and prosperity of society. Like climate change, the protection and regeneration of nature is a significant issue.

Natural capital is the Earth's stock of renewable and non-renewable natural resources – including soil, water, air, minerals, plants and living things – that combine to yield a flow of benefits to people. Assessment of natural capital is important to support decision-making that aims to conserve nature and reduce nature loss.

As a major financial institution, Westpac Group can play a significant role in supporting our institutional and commercial customers through engagement and lending, to conserve nature and reduce natural capital loss in the way they manage their business.

However, crafting a position and approach to these issues poses challenges. While it is relatively straightforward to outline ambitions, implementation is challenging. The science is still evolving, there are data limitations including challenges in obtaining accurate data to measure impacts and the effects on customers, as well as those of their mitigation and resilience actions. Nevertheless, we are determined to seek to better understand and deal with these challenges.

This Natural Capital Position Statement (Position Statement) represents an important first step, in describing our aspirations and the early principles that will guide our approach to the better management and protection of natural capital, building on our existing Position Statements. It forms the basis for us to continue to engage and consult with customers, regulators, government and other stakeholders as we develop our action plan and continue to refine our principles that will guide our approach.



1 United Nations Environment Programme. 'Spotlight on nature and biodiversity'. Accessed May 2023.

2 TNFD Recommendations of the Taskforce on Nature-related Financial Disclosures (2023).

3 World Economic Forum 'Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy' (2020).

# OUR AMBITION TO BECOME A NATURE POSITIVE BANK

Our Position Statement defines our ambition to become a nature positive bank – that is, a bank that supports nature positive outcomes.

We are at the early stages of understanding our role in relation to natural capital, and while this Position Statement builds on some of our climate-related actions, we recognise that this is a complex and evolving area.

As at November 2023, for us, becoming a nature positive bank means developing our understanding of nature-related risks and opportunities for our business and customers, and seeking to develop processes to have regard to nature positive outcomes through our business and to support customers. Currently, our ambition and this Position Statement apply to our direct operations and lending to institutional and commercial customers. We expect this definition to evolve as our understanding matures.

Further below, we set out our principles relating to nature and natural capital, and the initial steps required to understand the key nature-related risks and opportunities for our business and customers. We set out four initial focus areas (refer to page 6 to 8 for more detail). Working through these will allow us to further develop our understanding of nature positive outcomes, and how we can work towards our ambition to become a nature positive bank. We understand that the pathway is uncertain and efforts will be pursued towards addressing ambitions subject to certain assumptions and conditions.

Our Position Statement will be managed and governed in line with our sustainability governance and oversight structure. Refer to the sustainability governance and risk management section in the [Westpac Group Annual Report](#).

We intend to review and develop our Position Statement as nature science advances, requirements and opportunities for transition and resilience evolve, and we are able to better measure and monitor impacts on our business and customers. We will seek to review our Position Statement regularly, and refresh it as necessary in line with this wider evolution and as international and national policies develop, so it remains aligned with our principles and ambitions.

For further information on the terms used in this Position Statement, please refer to the Definitions section.



# OUR PRINCIPLES

## 1. Nature loss and human rights issues can be intersectional

The transition to nature positive outcomes needs to also respect human rights. We are committed to conducting our business in a way that respects the human rights of our people, business partners (including our customers and suppliers), the communities we support and in which we operate, as well as of others who may be impacted by our activities and business relationships. Refer to our [Human Rights Position Statement and Action Plan](#) for more detail.

## 2. Collective action, transparency and disclosure matter

Addressing the loss of natural capital requires collective action. We aim to support this through engagement and collaboration with a range of stakeholders.

We acknowledge Indigenous Peoples' and the intrinsic relationship with land and nature. We recognise that Indigenous Peoples and local communities can contribute to better outcomes given their stewardship role and traditional knowledge.

Accurate, timely and relevant information about nature-related risks, opportunities, impacts and dependencies is key to assessing and managing the impacts of nature loss. We aim to be transparent about our approach to understanding and addressing these impacts across our business.

## 3. Nature and climate change are interdependent

We recognise the interplay between nature and climate change. Negative climate change outcomes drive negative outcomes for nature, and vice versa. In considering our climate and nature ambitions, we will aim to take into account these interdependencies as appropriate.

Refer to our [Climate Change Position Statement and Action Plan](#) for more detail on our approach to climate change.

## 4. Economic prosperity and improved stocks of natural capital are complementary

Over half of the world's economy is highly or moderately dependent on nature. By increasing the stock of natural capital (by improving the extent and condition of nature), dependent sectors may become more productive and resilient. While there can be an upfront cost to managing natural capital, this investment may lead to stronger economic growth over the medium and long term.

We seek to play a constructive and responsible role in the development of government policy responses to natural capital in Australia and New Zealand.

## 5. Addressing natural capital loss creates opportunities

Efforts to reduce natural capital loss and address the physical impacts of nature loss could lead to changes in investment patterns and a shift in business models. As a major financial institution, Westpac can seek to support customers as they adopt measures that reduce natural capital loss, leading to a more resilient and prosperous society.

## 6. Nature-related risk is a financial risk

Nature-related risks can become financial risks for businesses and financial institutions. If unmanaged, these risks have the potential to impact company financial performance, insurance markets and economic stability. As our understanding of nature-related risks matures, we aim to improve our understanding of the direct and indirect impacts to our business, customers and stakeholders.

# WORKING TOWARDS OUR AMBITION OF BECOMING A NATURE POSITIVE BANK

Work is already underway to improve our understanding of potential nature-related transition, physical, legal and regulatory risks and opportunities that face our business and customers.

This includes participating in a number of relevant forums. We are a member of the Taskforce on Nature-related Financial Disclosures (TNFD) Forum and have actively participated in pilots with the United Nations Environment Programme Finance Initiative (UNEP FI) and the United Nations Environment Programme World Conservation Monitoring Centre (UNEP WCMC).

We have also identified four initial focus areas where we will seek to further our understanding; deforestation, restoration and regeneration, loss of critical habitat and natural capital finance. Refer to page 6 to 8 for more details.

We seek to focus on institutional and commercial customers in the material sectors we are exposed to that have a high impact and/or dependence on nature.

To identify these material sectors, we initiated a high-level analysis of our Australian and New Zealand business and institutional lending portfolios in FY22<sup>4</sup>.

This analysis will also guide our understanding of the nature-related risks and opportunities in our portfolio so we can seek to develop approaches to support customers.

We are still working on our understanding and approach but we expect, over time, to work towards:

- embedding salient nature-related risks into our risk management frameworks and policies
- considering nature-related risks in our customer and transaction screening for material sectors

- educating our people on identifying nature-based dependencies, impacts, risks and opportunities
- understanding how we can support our customers identify their nature-related risks and opportunities
- engaging with customers, investors, industry bodies, governments and non-government organisations and
- participating in local and international industry-based forums.

We understand that relevant, high quality, comparable and timely information is important to stakeholders, and that disclosing natural capital-related dependencies, impacts, risks and opportunities will be required to meet these expectations.

We have previously disclosed against the Soft Commodities Compact and where data and methodologies exist, we will aim to develop reporting in alignment with the TNFD. Initially, we plan to focus on a subset of the TNFD's recommended disclosures, commencing with impacts and dependencies. Over time we plan to expand our disclosure to further align with the TNFD and/or emerging regulatory requirements.

When developing these focus areas and our initial actions, we considered the Principles set out in this Position Statement and a variety of resources, including the:

- Kunming-Montreal Global Biodiversity Framework
- Development of the TNFD and
- Westpac's NZBA commitment and the interim sector targets set to date.

We recognise that nature-related issues and standards are still maturing and we aim to review our approach as new methodologies and data become available.

## FOCUS AREAS OF OUR POSITION STATEMENT

# UNDERSTANDING DEFORESTATION

## What is meant by no-net deforestation

**The Accountability Framework Initiative has a set definition of net deforestation. We will take steps to understand what no-net deforestation means to us and our business.**

We will continue to develop plans to understand how we manage our direct operations and lending portfolio for institutional and commercial customers to achieve a balance between deforestation and restoration of natural forests, with the aim of seeing the area of natural forested land remain stable or increase over time. While we ultimately want to see no clearing of individual forests, where that is not possible (for example for building housing or infrastructure) we aim to work with customers to balance these impacts via conservation or reforestation initiatives.

## Our direct operations

We aim to work with key suppliers to improve their policies and processes where appropriate to reduce deforestation.

## Lending

We aim to develop our understanding and capability to align our lending portfolio for institutional and commercial customers in the material sectors we are exposed to with no-net deforestation outcomes.

## Our Agriculture NZBA 2030 sector target approach

We have set our NZBA 2030 target for Agriculture (dairy, and beef and sheep). Those targets included a commitment to no deforestation, which provides for no further conversion of natural forest to agricultural land use within farm systems from 31 December 2025 for customers in scope of the targets.

Refer to our [Climate Change Position Statement](#) for more details.

As our engagement with customers matures, we will aim to support customers on their no-net deforestation progress considering frameworks such as:

1. **Avoid:** Prevent deforestation from happening. Use land already deforested or degraded. Where possible, construct new infrastructure elements closer together to reduce vegetation to be cleared. Areas of lesser nature-related importance can be identified and should be preferred for development over areas of greater nature-related importance.
2. **Reduce:** Where avoidance cannot be practically applied, the minimisation of impacts should be adopted. These measures can help reduce the intensity and duration of negative impacts.
3. **Restore:** Initiate or accelerate the recovery of the health, integrity and sustainability of ecosystems, with a focus on permanent changes in state. This excludes monoculture plantations.
4. **Regenerate:** Take actions within existing land uses to increase the biophysical function and/or ecological productivity of an ecosystem or its components.
5. **Offset:** Offsets have a role to play, and should remain in place as long as the impacts of biodiversity loss persist.

## FOCUS AREAS OF OUR POSITION STATEMENT

# UNDERSTANDING RESTORATION AND REGENERATION

## What is meant by restoration and regeneration

**Restoration and regeneration refers to any intentional activity that initiates or accelerates the recovery of an ecosystem from a degraded state.**

### Lending

We will continue to develop our understanding of the opportunities that restoration and regeneration (also known as preserve and enhance) present to our institutional and commercial customers.

We aim to support our customers in understanding Australian and international ambitions and expectations including the Kunming-Montreal Global Biodiversity Framework<sup>5</sup>.

Effective restoration and regeneration processes will enhance biodiversity and ecosystem functions and services, ecological integrity and connectivity. The creation of monoculture forests is not considered to be a restoration and regeneration practice.

# UNDERSTANDING LOSS OF CRITICAL HABITAT

## What is meant by near zero loss of critical habitat

**One of the 2030 targets set by the Global Biodiversity Framework is to reduce to near zero, loss of areas of high biodiversity importance, including ecosystems of high ecological integrity.**

We aim to take steps to understand what near zero loss of critical habitat means to us and our business.

Critical habitat can be considered to be any area of the planet with high biodiversity conservation significance based on the existence of habitat of any:

- significant importance to critically endangered or endangered species
- restricted range or endemic species
- globally significant concentrations of migratory and/or congregatory species and/or
- highly threatened and/or unique ecosystems and key evolutionary processes<sup>6</sup>.

We will seek to understand how degradation, destruction and fragmentation of critical habitats can be minimised as a result of new activity.

## Our direct operations

We aim to work with key suppliers to improve their policies and processes where appropriate to reduce business impacts to near zero loss of critical habitat.

### Lending

We aim to identify areas of critical habitat and UNESCO World Heritage Sites that may be impacted as a result of our lending activities and work with customers in material sectors to reduce these impacts to near zero loss over time.

<sup>5</sup> United Nations Convention on Biological Diversity Kunming-Montreal Global Biodiversity Framework (2022).

<sup>6</sup> International Finance Corporation. Biodiversity Conservation and Sustainable Management of Living Natural Resources (2012).



## FOCUS AREAS OF OUR POSITION STATEMENT

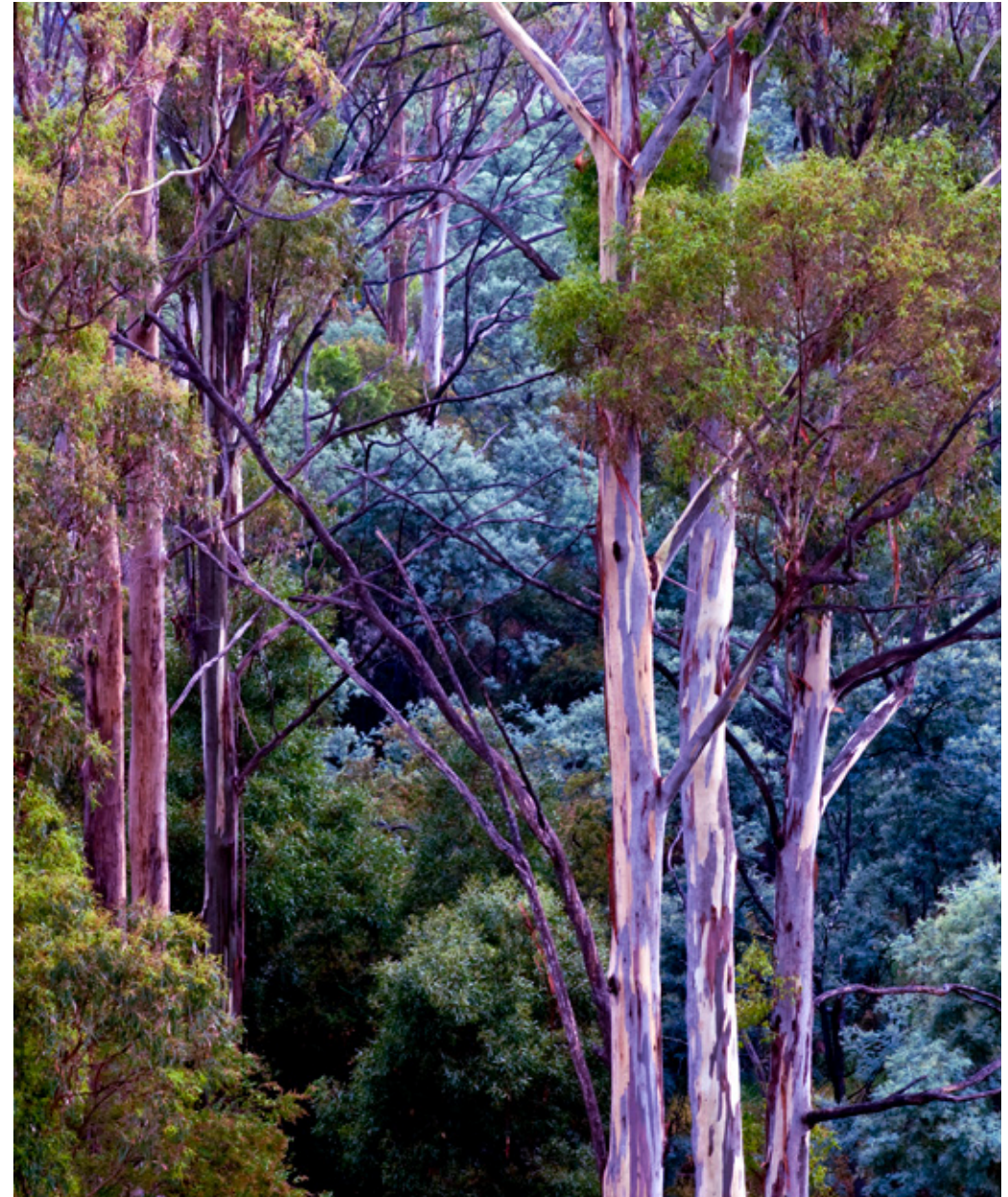
# UNDERSTANDING NATURAL CAPITAL FINANCE

## What is meant by natural capital finance

**Natural capital finance refers to financial products and services that seek to support nature-positive outcomes or increase stocks of natural capital.**

## Lending

We have started to consider financing opportunities which support nature positive outcomes or increase the stock of natural capital in our Sustainable Finance Framework<sup>7</sup> (Framework). We will aim to further develop the Framework for natural capital finance when data is available and methodologies develop.



<sup>7</sup> Westpac Sustainable Finance Framework is available on our website at [westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/wbc-sustainable-finance-framework.pdf](https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/wbc-sustainable-finance-framework.pdf).

# DEFINITIONS

<b>Critical habitat</b>	<p>Any area of the planet with high biodiversity conservation significance, based on the existence of habitat of significant importance to critically endangered or endangered species, restricted range or endemic species, globally significant concentrations of migratory and/or congregatory species, highly threatened and/or unique ecosystems and key evolutionary processes.</p> <p>Source: TNFD Recommendations of the Taskforce on Nature-related Financial Disclosures (2023), from International Finance Corporation (2012) Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.</p>	<b>Natural forest</b>	<p>A forest that is a natural ecosystem, possessing many or most of the characteristics of a forest native to the given site, including species composition, structure, and ecological function. Natural forests include:</p> <ul style="list-style-type: none"> <li>(i) Primary forest that have been subject to major human impacts in recent history.</li> <li>(ii) Regenerated forest that were subject to major impacts in the past (for instance by agriculture, livestock raising, tree plantations, or intensive logging) but where the main causes of impact have ceased or greatly diminished and the ecosystem has attained structure, function and composition of a natural forest.</li> <li>(iii) Managed natural forests where much of the ecosystem's composition, structure, and ecological function exist in the presence of activities such as harvesting of timber or small scale cultivation.</li> <li>(iv) Forests that have been partially degraded by anthropogenic or natural causes (e.g. harvesting, fire, climate change, invasive species, or others) but where the land has not been converted to another use and where degradation does not result in the sustained reduction of tree cover below the thresholds that define a forest or loss in structure, function or composition. The categories "natural forest" and "tree plantation" are mutually exclusive, though in some cases the distinction may be nuanced.</li> </ul> <p>Source: Accountability Framework Initiative. The Accountability Framework Core Principles (2023).</p>
<b>Deforestation</b>	<p>Loss of natural forest as a result of i) conversion to agriculture or other non-forest land use; ii) conversion to a tree plantation; or iii) severe and sustained degradation. Loss of natural forest that meets this definition is considered to be deforestation regardless of whether or not it is legal.</p> <p>Source: Accountability Framework Initiative. The Accountability Framework Core Principles (2023).</p>	<b>Nature</b>	<p>The natural world, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment.</p> <p>Source: TNFD Recommendations of the Taskforce on Nature-related Financial Disclosures (2023), from Díaz, S et al (2015) The IPBES Conceptual Framework - connecting nature and people.</p>
<b>Natural capital</b>	<p>The stock of renewable and non-renewable natural resources (e.g. plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits to people.</p> <p>Source: TNFD Recommendations of the Taskforce on Nature-related Financial Disclosures (2023), from Capitals Coalition (2016) Natural Capital Protocol.</p>		

<p><b>Nature positive</b></p>	<p>A high-level goal and concept describing a future state of nature (e.g. biodiversity, ecosystem services and natural capital) which is greater than the current state.</p> <p>Source: TNFD Recommendations of the Taskforce on Nature-related Financial Disclosures (2023), from Science Based Targets Network (2023).</p> <p>Note: The TNFD is engaging with key partners and stakeholders, including the Convention on Biological Diversity (CBD) Secretariat, the coalition of organisations behind the Global Goal for Nature, the IUCN and others on the evolving debate about defining the term 'nature positive'.</p>
<p><b>Nature positive bank</b></p>	<p>A bank that supports nature positive outcomes. As at 2023, for us, becoming a nature positive bank means developing our understanding of nature-related risks and opportunities to our business and customers, and developing processes to have regard to nature positive outcomes through its business and to support customers.</p>
<p><b>Restoration</b></p>	<p>Any intentional activity that initiates or accelerates the recovery of an ecosystem from a degraded state.</p> <p>Source: IPBES, Decision IPBES-3/1, annex VIII.</p>
<p><b>Threatened ecosystem</b></p>	<p>Ecosystem assessed as facing a high risk of collapse in the medium-term.</p> <p>Source: TNFD Recommendations of the Taskforce on Nature-related Financial Disclosures (2023), from IUCN (2017) Guidelines for the application of IUCN Red List of Ecosystems categories and criteria.</p>



# DISCLAIMER

The information in this document is general background information about the Group and its activities as at the date of this Position Statement. It is given in summary form and is therefore not necessarily complete. It is not intended that it be relied upon as advice to investors or potential investors, who should be seeking independent professional advice depending on their specific investment objectives, financial situation or particular needs. The material contained in this Position Statement may include information, including, without limitation, methodologies, modelling, scenarios, reports, benchmarks, standards, tools, metrics and data, derived from publicly available or government or industry sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information.

This document contains statements that constitute “forward-looking statements” within the meaning of Section 21E of the US Securities Exchange Act of 1934. Forward-looking statements are statements that are not historical facts. Forward-looking statements and metrics appear in a number of places in this document and include statements regarding our current intent, belief or expectations with respect to our business and operations, macro and micro economic and market conditions, results of operations and financial condition, capital adequacy and risk management, including without limitation, nature, climate change, net-zero, and other sustainability related statements, commitments and targets, projections, scenarios, risk and opportunity assessments, pathways, forecasts and metrics, estimated projections, forecasted economic indicators and performance metric outcomes, financial support to certain borrowers, indicative drivers, estimated emissions and other proxy data. These are subject to known and unknown risks, and there are significant uncertainties, limitations, risks and assumptions in the metrics and modelling on which these statements rely.

Forward-looking statements may also be made by members of Westpac's management, directors, officers or employees (verbally or in writing) in connection with this document. Such statements are subject to the same limitations, uncertainties, assumptions and disclaimers in this document.

We use words such as ‘will’, ‘may’, ‘expect’, ‘indicative’, ‘intend’, ‘seek’, ‘would’, ‘should’, ‘could’, ‘continue’, ‘anticipate’, ‘believe’, ‘probability’, ‘risk’, ‘aim’, ‘target’, ‘plan’, ‘estimate’, ‘outlook’, ‘forecast’, ‘goal’, ‘guidance’, ‘ambition’, ‘assumption’, ‘projection’, or other similar words that convey the prospective nature of events or outcomes and generally indicate forward-looking statements.

These forward-looking statements reflect our current best estimates, judgements, assumptions and views as at the date of this document with respect to future events and are subject to change, certain known and unknown risks and uncertainties and assumptions and other factors which are, in many instances, beyond the control of Westpac, its officers, employees, agents and advisors, and have been made based upon management's current expectations, understandings or beliefs concerning future developments and their potential effect upon us.

Although management currently believes these forward-looking statements have a reasonable basis, there can be no assurance that future developments or performance will be in accordance with our expectations or that the effect of future developments on us will be those anticipated. There is a risk that the best estimates, judgements, assumptions, views, models, scenarios, projections used may subsequently turn out to be incorrect.

Actual results, performance, conditions, circumstances or the ability to meet commitments and targets could differ materially from those we expect or are expressed or implied in such statements, depending on various factors, including without limitation significant uncertainties in sustainability related metrics and modelling as well as further development of methodologies, reporting or other standards which could impact metrics, data and targets (noting that nature and sustainability science, standards, methodologies and reporting are subject to rapid change and development).

These statements are not guarantees or predictions of future performance. Westpac gives no representation, warranty or assurance (including as to the quality, accuracy or completeness of this document), nor guarantee that the occurrence of the events expressed or implied in any forward-looking statement will occur. When relying on forward-looking statements to make decisions with respect to us, investors and others should carefully consider such factors and other uncertainties and events, and the judgments and data presented in this document are not a substitute for investors and other readers' own independent judgements and analysis. Investors and others should also exercise independent judgement, with the advice of professional advisers as necessary, regarding the risks and consequences of any matter contained in this document. To the maximum extent permitted by law, responsibility for the accuracy or completeness of any forward-looking statements, whether as a result of new information, future events or results or otherwise, is disclaimed. Except as required by law, we assume no obligation to update any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, after the date of this document.

