

ASX

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Sydney, NSW, 2000

# Release

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**27 JULY 2022**

## **WESTPAC MARKET UPDATE**

Westpac is today conducting a market update on progress of important business priorities that include:

- the status of the Group's Customer Outcomes & Risk Excellence (CORE) program;
- New climate commitments and detail on key sector financed emissions targets; and
- our digital capabilities and plans, including a new fully digital mortgage.

Detail is in the attached presentation and on our website at [westpac.com.au/investorcentre](http://westpac.com.au/investorcentre). A webcast of the presentation will be live from 10am and also available from this link with a replay of the event expected to be available later in the afternoon. Other information on the website includes a methodology document on how we set our new financed emissions targets, and a link to online demonstrations of some of our new technologies.

Ends.

### **For further information:**

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This document has been authorised for release by Tim Hartin, Company Secretary.



# Market update

27 JULY 2022  
WESTPAC BANKING CORPORATION  
ABN 33 007 457 141

**Westpac** GROUP

# Session overview.



**Strategic priorities,  
CORE progress**

**Peter King**

Chief Executive Officer

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**Becoming a  
net-zero bank**

**Peter King**

Chief Executive Officer

**Anthony Miller**

Chief Executive,  
Westpac Institutional Bank

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**Digital first  
banking**

**Chris de Bruin**

Chief Executive,  
Consumer & Business Bank

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# Momentum on our strategic priorities – two years on.



## Fix

### Address outstanding issues

- **CORE program on track and delivering change**
- Major remediation programs in final stages
- Largely addressed financial crime issues – next phase to lift capability



## Simplify

### Streamline and focus the business

- Announced sales of 9 businesses (of 11)
- New operating model working well
- **Significant progress on digital**



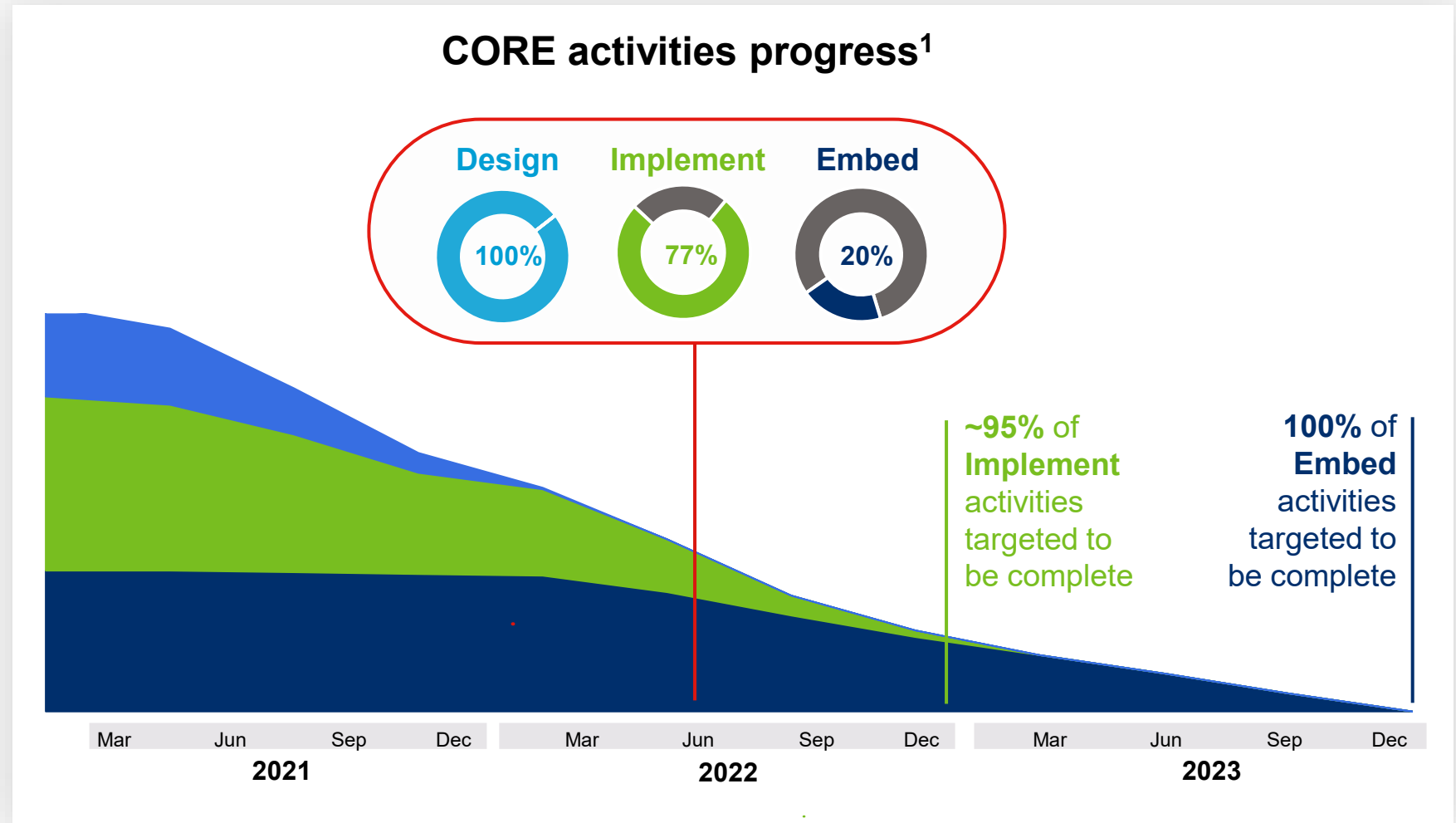
## Perform

### Sustainable long-term returns

- Reorientating to growth
- Lifting return focus
  - New 2023 capital range
  - Cost reset underway
- **Climate change – net zero commitment**

# Customer Outcomes and Risk Excellence (CORE) program.

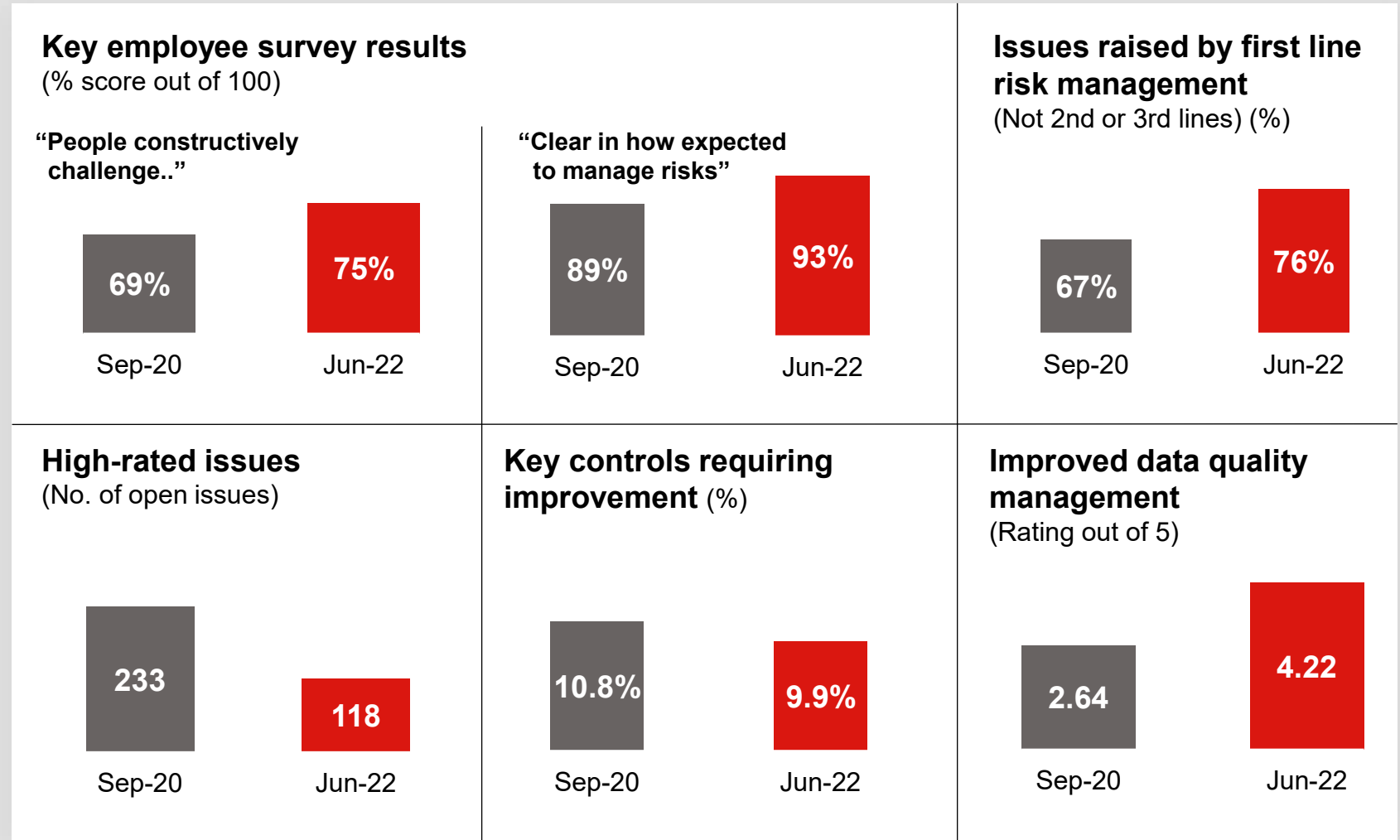
- CORE program in place to address enforceable undertaking signed December 2020
- Aims to strengthen risk governance, accountability and risk culture
- CEO and Group Executive accountability
- Quarterly external assurance
- Three-year program, 19 workstreams



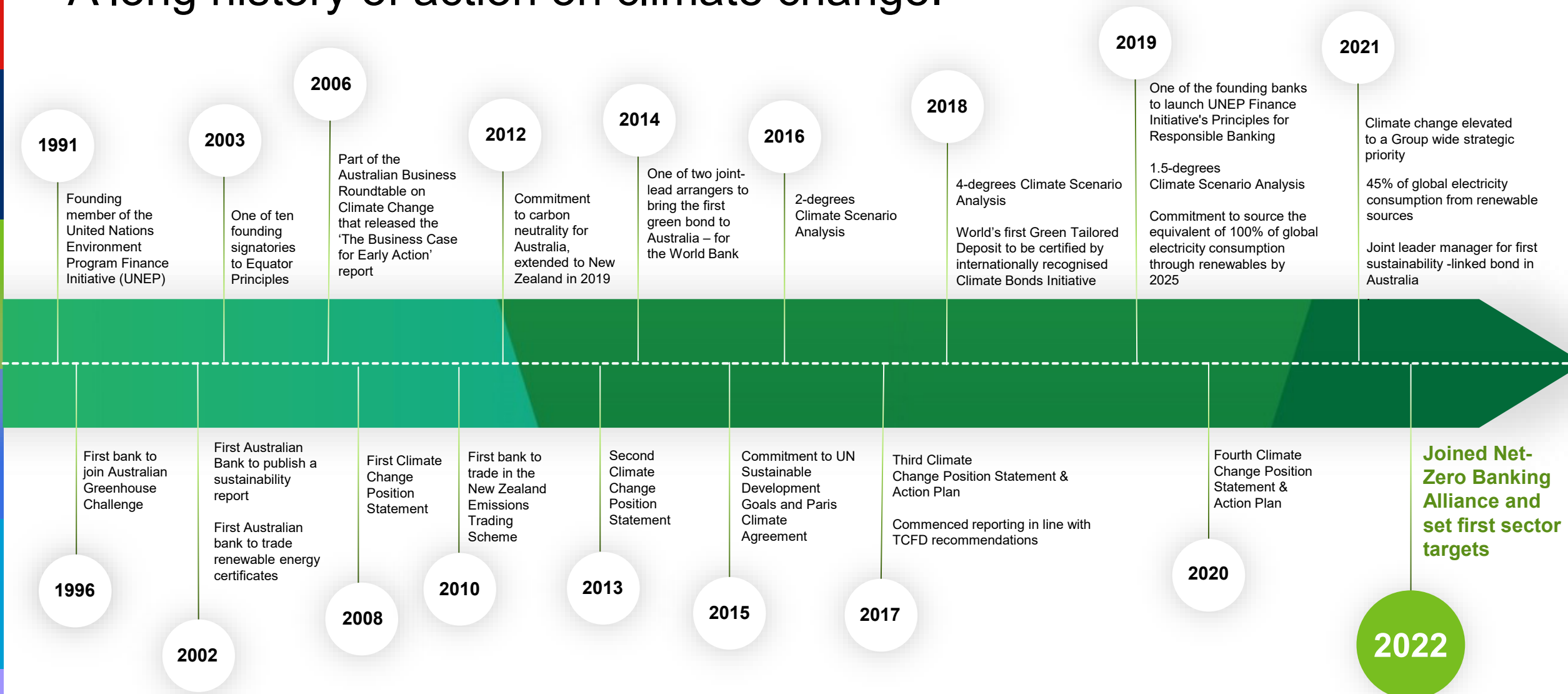
<sup>1</sup> At 30 June 2022. Completed activities have been finalised by Westpac. Activities still may be subject to Promontory Australia review.

# CORE program – measuring progress towards five target states.

- 1** We are a well-run business where risk is actively managed
- 2** A simplified organisational construct with clear accountabilities
- 3** Three lines of defence is understood and embedded
- 4** Our people understand risks and proactively manage them
- 5** We're known for execution excellence and getting it done



# A long history of action on climate change.



# Our plans for becoming a net-zero bank.

Actions underpinning our approach to climate change.

**1**

## Net-zero in our operations

- Transition electricity to 100% renewables by 2025
- Support employee emission reductions
- Reduce supply chain emissions

**2**

## Supporting customers' transition to net-zero

- Signed Net-Zero Banking Alliance (NZBA) commitment
- 2030 targets to reduce our financed emissions
- Become the transition partner of choice

**3**

## Collaborate for impact

- Work with industry, NGOs and governments on initiatives towards net-zero

The information on this page contains 'forward-looking statements' and statements of expectation reflecting Westpac's current views on future events. They are subject to change without notice and certain risks, uncertainties and assumptions which are, in many instances, beyond its control. Please refer to the disclaimer at the back of this presentation.



# 1 Net-zero in our operations.

## Targets

Reduce Scope 1 & 2 emissions by 85% by 2025 and 90% by 2030



58% reduction since 2016

Reduce Scope 3 supply chain emissions by 35% by 2030<sup>1</sup>



20% reduction since 2016

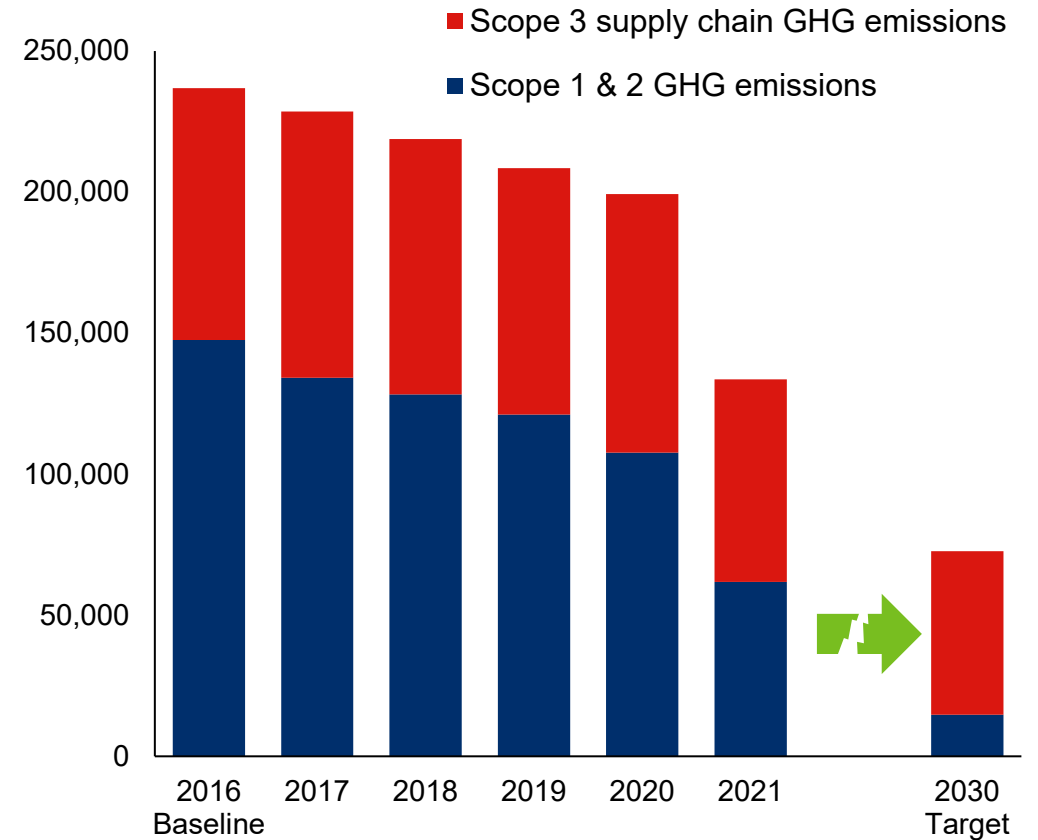
Maintain carbon neutrality



**Carbon neutral<sup>2</sup>**  
Continue to source carbon credits to neutralise residual emissions

## Progress

**Westpac Group Total GHG<sup>3</sup> Emissions (tCO<sub>2</sub>-e)**  
Before carbon offsets

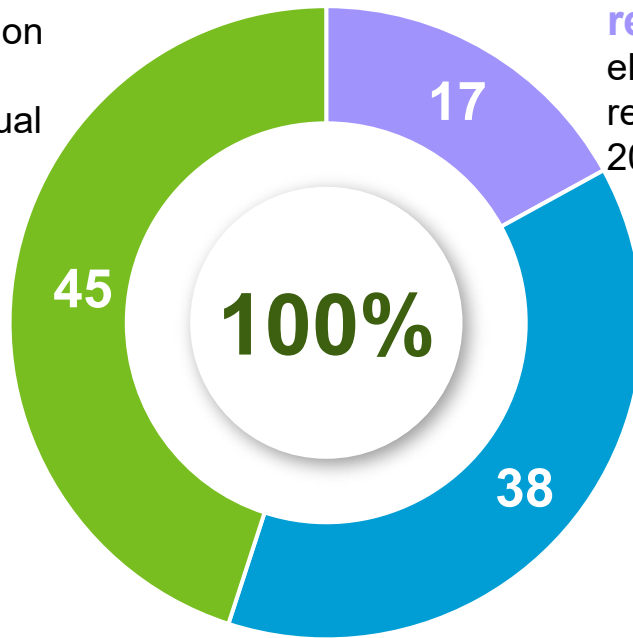


<sup>1</sup> Scope 3 supply chain emissions target to be updated in FY23 from a 'well-below 2 degree' trajectory to a 1.5-degree trajectory. <sup>2</sup> Westpac Group's Australia and New Zealand operations are certified carbon neutral under the Australian Government's Climate Active Standard for Organisations and the New Zealand Toitū carbonzero programme respectively. <sup>3</sup> GHG is greenhouse gas emissions.

# Source equivalent of 100% of electricity from renewables by 2025.

## Current

Source equivalent of **45%** of our global electricity consumption from renewable sources through virtual power purchase agreement with the Bomen Solar Farm in NSW and from onsite solar



## Plans underway

To source equivalent of **remaining 17%** of electricity from renewable sources by 2025

## New agreement

Signed agreement to source equivalent of an **additional 38%** from Flow Power from Ararat Wind Farm in Victoria by 2023 and Berri Solar Farm + Battery in South Australia by 2024



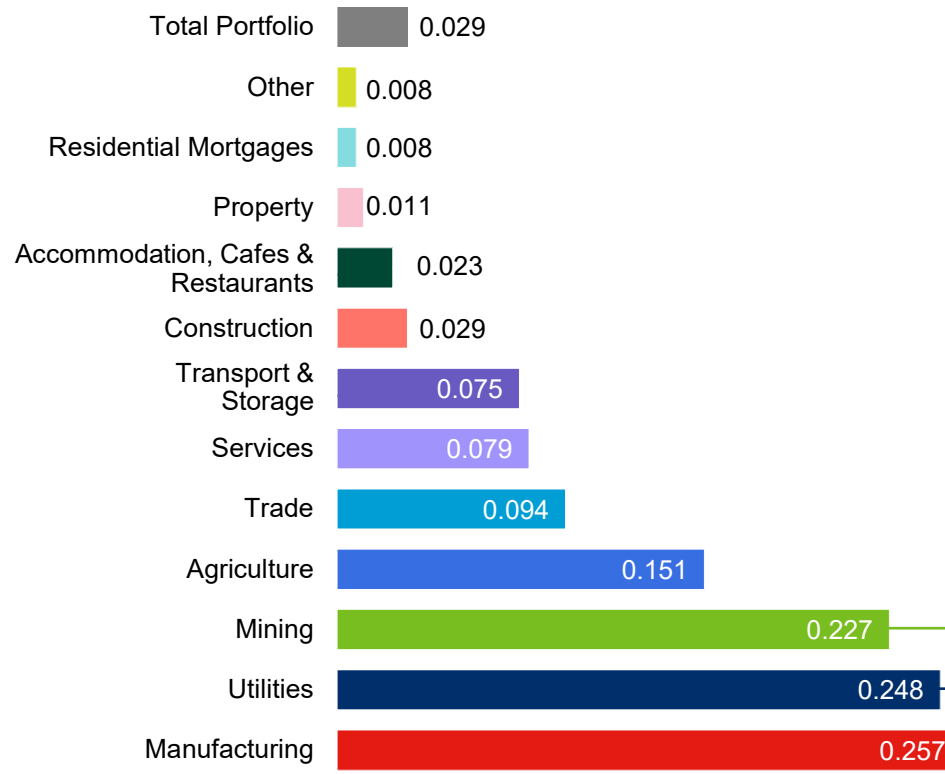
Ararat Wind Farm, Victoria



Berri Solar Farm + Battery, South Australia

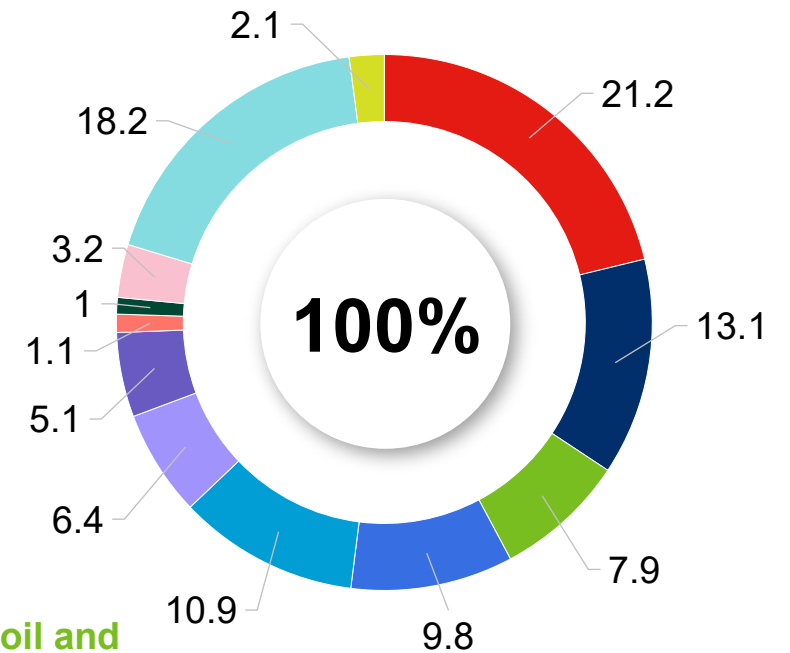
# 2 Net-zero targets based on our most emissions intensive sectors.

## Westpac's estimated Australian financed emissions intensity (kgCO<sub>2</sub>-e per \$ lent<sup>1</sup>)



**Includes upstream oil and gas and thermal coal mining**  
**Includes power generation**  
**Includes cement production**

## Westpac Australian financed emissions (% of total)



<sup>1</sup> This analysis was part of our FY21 financed emissions estimate reporting process. This analysis focused on scope 1 and 2 emissions of our Australian business, institutional and residential mortgage portfolio only.



# Anthony Miller

Chief Executive,  
Westpac Institutional Bank

Climate change

# Principles underpinning our four new targets.



Set **1.5°C** aligned targets where underpinning data and methodologies was sufficient



Referenced **science based scenarios** from credible sources such as the International Energy Agency (IEA) and CSIRO/ClimateWorks



Referenced **industry guidelines** and sector approaches



Recognise that targets are based on our best estimates using available data and methodologies. **Targets will continue to evolve** with new/changing science, methodologies and technology















**Published a methodology document<sup>1</sup>** to detail how targets were established, and scenarios selected. This document includes the full definitions and scope of the targets

<sup>1</sup> Methodology document published on our website [Westpac.com.au/investorcentre](https://www.westpac.com.au/investorcentre).

# Thermal coal mining.







-  **Sector definition**  Updated Westpac's 2020 thermal coal mining definition<sup>1</sup> to align with the NZBA guidelines for thermal coal. New definition applies to companies where >5% of their revenue is coming directly from thermal coal mining<sup>2</sup>. We will assess company revenues on a three-year rolling average
-  **Target**  **Zero lending to companies with >5% of their revenue coming directly from thermal coal mining by 2030**
-  **Reference scenario**  Commitment has been informed by the NZBA guidelines<sup>3</sup>
-  **Current status**  At March 2022 our total committed exposure was \$0.22bn
-  **Our plans**  Manage our portfolio to reduce our lending exposure to zero by 2030
-  **Annual reporting**  Total committed exposure (\$)



<sup>1</sup> 2020 definition of thermal coal mining was that customers generating >25% revenues from thermal coal, or in a case of a stand-alone mine, more than >35% volumes from thermal coal mining. All other coal customers or mines were deemed as metallurgical. <sup>2</sup> Consistent with the NZBA guidelines, our definition of thermal coal mining includes companies where more than 5% of their revenue is coming directly from their production and sale of thermal coal. Adjacent sectors, including mining service providers, will be covered in other targets as appropriate. Transactional banking and rehabilitation bonds are excluded from our target. <sup>3</sup> NZBA guidelines refers to UNEP FI Guidelines for Climate Target Setting for Banks 2021.



# Upstream oil and gas.







 **Sector definition**  **Companies involved in oil and gas exploration, extraction and drilling, including integrated oil and gas companies that have upstream activities, and LNG producers**

 **Target**  **23% reduction in scope 1, 2 and 3 absolute financed emissions by 2030** (relative to 2021 baseline)  
Only consider directly financing greenfield oil and gas projects that are in accordance with the IEA NZE Scenario<sup>1</sup>, or where necessary for national energy security<sup>2</sup>

 **Reference scenario**  IEA NZE<sup>4</sup>, complemented with CSIRO/ClimateWorks Australia Hydrogen Superpower Scenario<sup>5</sup>  
Will continue to provide corporate lending where the customer has a credible transition plan in place by 2025<sup>3</sup>

 **Current status**  At March 2022, our total committed exposure to oil and gas extraction was \$2.4bn. Our exposure has trended down over the past five years. Will update our Group 2021 financed emissions baseline in November 2022

 **Our plans**  Expect customers to have credible transition plans in place by 2025  
Work with customers to support their development of credible transition plans

 **Annual reporting**  Absolute financed emissions reduction (%)

1 The International Energy Agency's Net-Zero by 2050: A Roadmap for the Global Energy Sector report, 2021 (IEA NZE) scenario specifies that no new (greenfield) oil and gas fields are needed beyond those projects that have already been committed as of 18 May 2021. 2 National energy security refers to circumstances where the Australian or New Zealand Government or regulators determine (or takes a formal public position) that supply from the asset being financed is necessary for national energy security. 3 A credible transition plan should be developed by reference to the best available data and should include Scope 1, 2 and 3 emissions and actions the company will take to achieve greenhouse gas reductions aligned with pathways to net-zero by 2050, or sooner, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100. 4 IEA NZE refers to the International Energy Agency's Net Zero by 2050: A Roadmap for the Global Energy Sector report 2021. 5 CSIRO/ClimateWorks Australia Hydrogen Superpower Scenario refers to one of four multi-sectoral scenarios included in CSIRO/ClimateWorks' Multi-sector energy modelling, Australia 2021 report.

# Power generation.



## Sector definition



Scope 1 and 2 emissions of electricity generators<sup>1</sup>



## Target



**Emissions intensity target of 0.10 tCO<sub>2</sub>e/MWh by 2030**  
(44% lower than prior target set in Nov 2020 of 0.18 tCO<sub>2</sub>e/MWh by 2030)



## Reference scenario



CSIRO/ClimateWorks Australia Hydrogen Superpower Scenario



## Current status



Australian electricity portfolio emissions intensity 0.26 tCO<sub>2</sub>e/MWh for FY21<sup>2</sup>  
Will update our Group 2021 emissions intensity baseline in November 2022  
Currently 79% of our power generation portfolio is renewables (compares to approximately 32.5% of Australia's total electricity generation in 2021<sup>3</sup>)



## Our plans



Continue to grow our direct renewable financing  
Work with customers to support their development of credible transition plans



## Annual reporting



Power generation sector emissions intensity (tCO<sub>2</sub>e/MWh)  
Percent of total committed exposure to renewables

<sup>1</sup> Includes customers with material revenue coming from power generation or >5% revenues from thermal coal electricity generation. In Australia, this applies to customers with National Greenhouse and Energy Reporting Scheme designated generation facilities and have material revenue coming from power generation. The target excludes electricity transmission/distribution companies and Scope 3 emissions of electricity generators. <sup>2</sup> Australia accounts for the majority of Group electricity emissions. <sup>3</sup> Clean Energy Australia Report 2022 by Clean Energy Council.



# Cement production.



## Sector definition



**Companies that produce clinker in-house. The target has been set for customers' Scope 1 and 2 emissions in relation to the production of cement**



## Target



**Emissions intensity target of 0.57 tCO<sub>2</sub>e/tonne of cement by 2030**



## Reference scenario



SBTi Cement Target Setting Guidance – Sectoral Decarbonisation Approach (SDA)<sup>1</sup>



## Current status



Australian cement industry emissions intensity<sup>2</sup> is 0.77 tCO<sub>2</sub>e/tonne cement  
Will update our Group 2021 emissions intensity baseline in November 2022



## Our plans



Work with customers to support their development of credible transition plans



## Annual reporting



Cement production portfolio emissions intensity (tCO<sub>2</sub>e/tonne of cement)

<sup>1</sup> Science Based Targets Initiative (SBTi) Cement Target Setting Guidance refers to the Cement Science Based Target Setting Guidance, Draft for public consultation, SBTi 2022. <sup>2</sup> This is based on the latest available information from the Australian Cement Industry Federation's Australian Cement Report 2020.

# Becoming the transition partner of choice.



## Strong starting point

- Largest bank lender to greenfield renewable energy projects in Australia for the past five years
- 39 new sustainable finance transactions<sup>1</sup> in 1H22
- First tailored green deposit. >\$2bn in funds
- Expanding carbon desk – already a leader in New Zealand
- 79% of lending to electricity generation is to renewables
- Engaged customers on their transition plans
- Launched electric and hybrid vehicle loan



## Investing in the opportunity

### Building banker capability

- ~3,000 employees completed ESG fundamentals training
- 800+ employees completed half day training in partnership with Monash University/ClimateWorks

### Mobilising the transition finance

- Finance for low carbon transition and new scalable technologies

### Extending our product suite

- Tailored sustainability linked loans
- Carbon trading for institutional customers

### Lifting ESG risk management, data and systems

<sup>1</sup> Sustainable finance transactions refers to green, social, sustainability, sustainability-linked and re-linked loans and bonds.

# Supporting customers' transition to net-zero.



Continue to engage with customers so they understand our NZBA commitments



Support customers as they develop/evolve their climate strategy and credible transition plans



Mobilise finance for customers' emissions reduction activities and technologies



Help drive Scope 3 emissions reductions by

- Supporting the necessary infrastructure for a low carbon future
- Financing low carbon technologies



Facilitate the development and purchase of quality, accredited offsets after feasible reduction activities are exhausted

### 3 Collaborate for climate and nature-related impact.

Addressing climate change requires collective action. We support and participate in international, national and industry-based initiatives.

#### Currently working with

**Australian Industry Energy Transitions Initiative**



Coordinating learning and action on net-zero emissions supply chains

**Clean Energy Regulator**



Corporate emissions reduction transparency report. Participation in first pilot report

**United Nations Environment Programme – Finance Initiative**



Principles for Responsible Banking

**Task Force on Nature-related Financial Disclosure Forum**

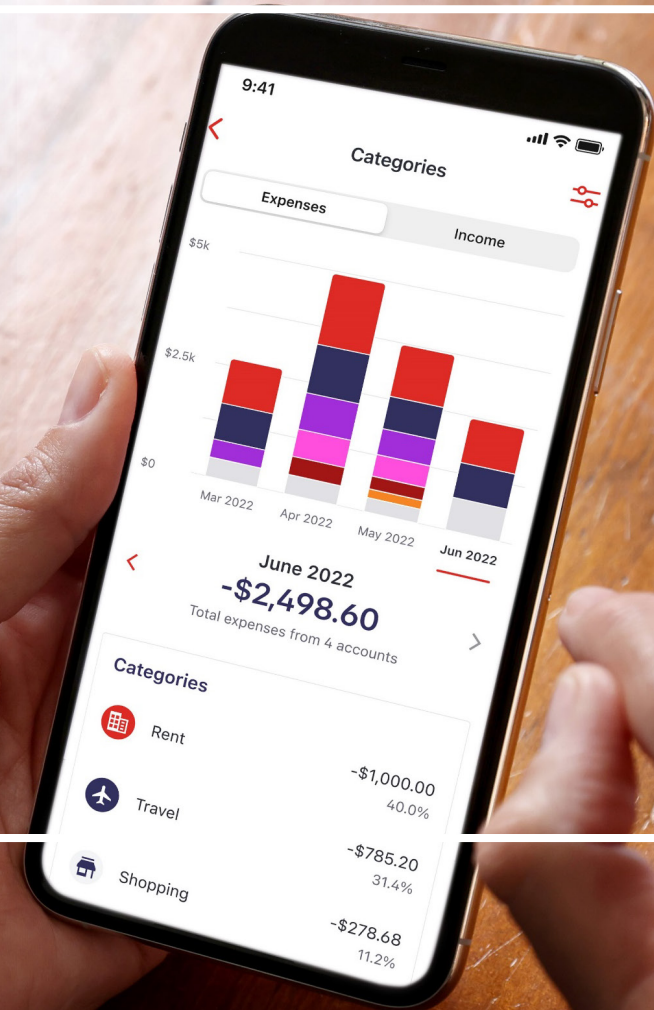


Development of a nature-related financial risk management and disclosure framework

# Chris de Bruin

Chief Executive,  
Consumer & Business Banking

Digital



# Our plans for transforming our business.

1



## Digital first

- One way to do business – across channels and between customers/bankers
- Convenient, easy, accessible experience
- Straight-through processes for sales and service across all products

2



## Expanding access

- New multi-brand infrastructure – any customer served in any branch
- Co-locations improving access
- Bank@Post – 3,500 outlets
- ‘Anywhere to anywhere’ banking with voice, video and mobile banker options

3



## Anchored to safety

- Safe and secure access 24/7
- Dynamic CVC for cards
- Biometrics & AI to identify fraud
- Scam Block – real-time blocking of potentially questionable online merchants
- Lower fraud losses

# 1 Digital first.

## Initiatives



### Digital tools in your pocket

- Westpac app for Consumers/Businesses
- Enhanced ID and security
- 200+ features in app, including;
  - Smart Search
  - Instant digital card
  - Real-time gambling block
  - Abusive language reporting/blocking
- Carbon tracker partnership with Cogo

## Progress

- 5m digitally active customers at Jun-22<sup>1</sup>
- 6.7m daily online sessions<sup>2</sup>
- 2.2m daily payments<sup>2</sup>



### One way to do business

- Digital banker, same tools/processes for customers and bankers – across all brands and 40+ systems
- Support via AI chat, app messaging, video and live chat
- Straight through fully digital processes, ease of access and compliant by design

- 17,200 bankers using new platform
- 89% of new-to-bank Westpac transaction accounts are straight through processed
- Video and chatbot launched for bankers
- 10% YoY increase in Westpac self serve events



### Digital products/services

#### Consumers

- Digital mortgage – unconditional approval starting from 10 minutes
- Personal Finance Management (PFM)
- Digital card onboarding/replacement/service

#### Businesses

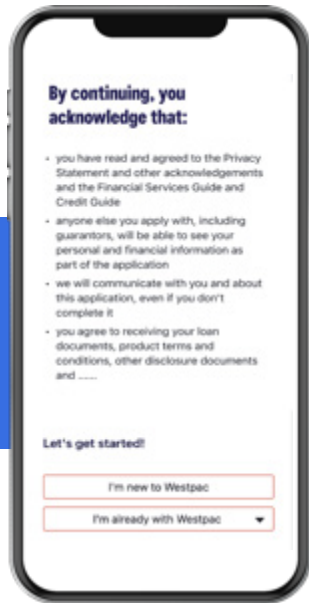
- Tap on phone merchant capability for android
- Upgrading 100,000 merchant terminals
- Digital applications and credit assessment

- Digital mortgage, roll-out starts by end-2022
- PFM tools available from Dec-2022
- Digital finance application saving ~3 hours per interaction

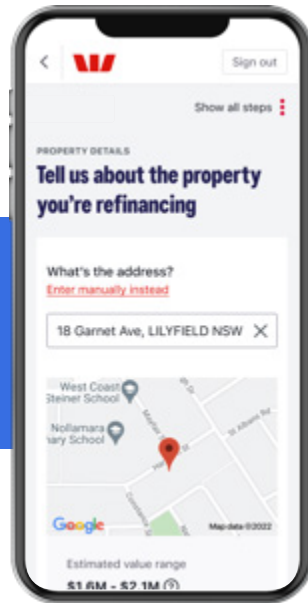
<sup>1</sup> Based on customer being digitally active at least once within 30 days. <sup>2</sup> Week-day average for June 2022.

# Westpac's digital mortgage.

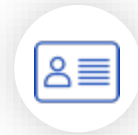
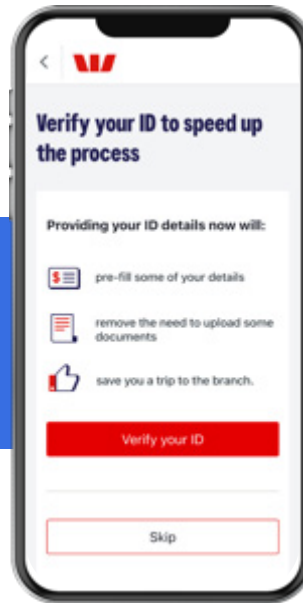
Fast and simple customer experience.



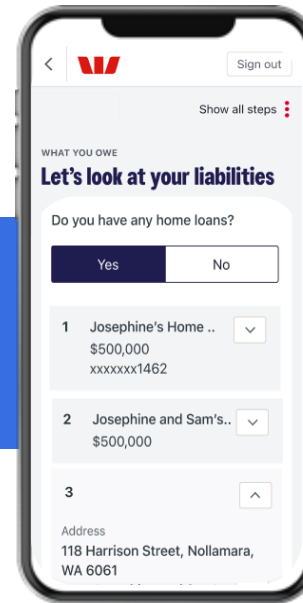
Digital consent/  
no paper



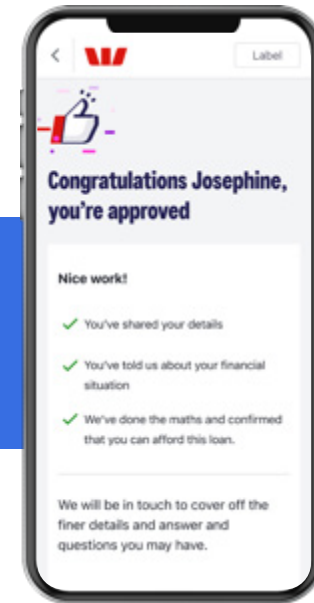
Key property  
insights data



Customer  
biometrics



Data led financial  
verification



Automated full  
approval decision

On Westpac's One Bank Platform

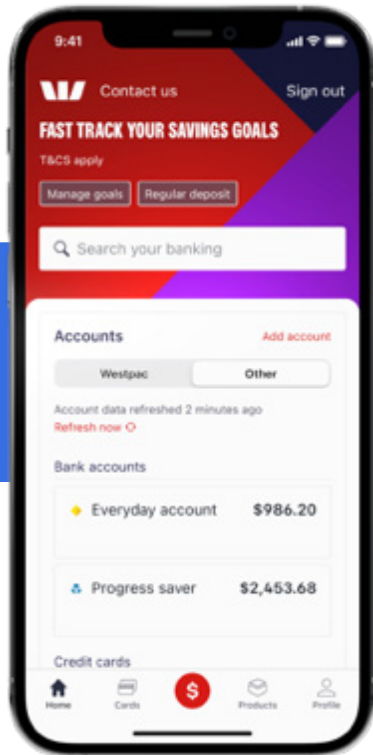


# Personal Financial Management.

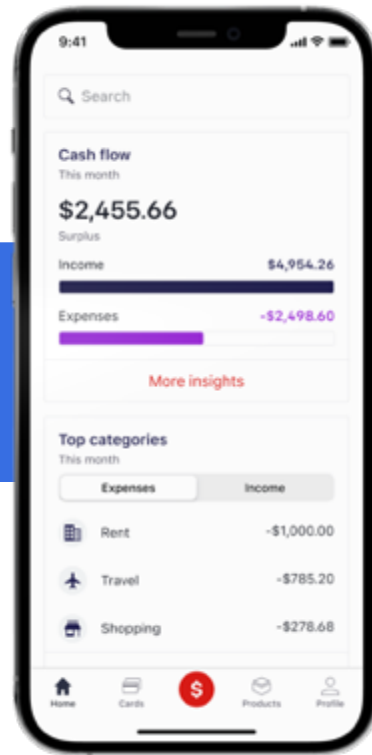
Embedding personal financial management in Westpac app following the purchase of MoneyBrilliant.



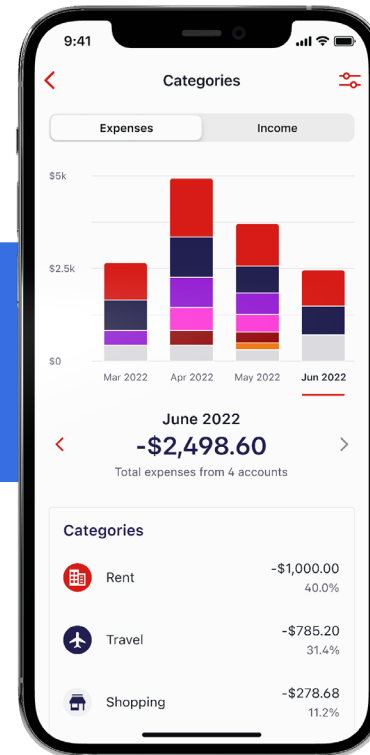
View accounts from all financial institutions<sup>1</sup>



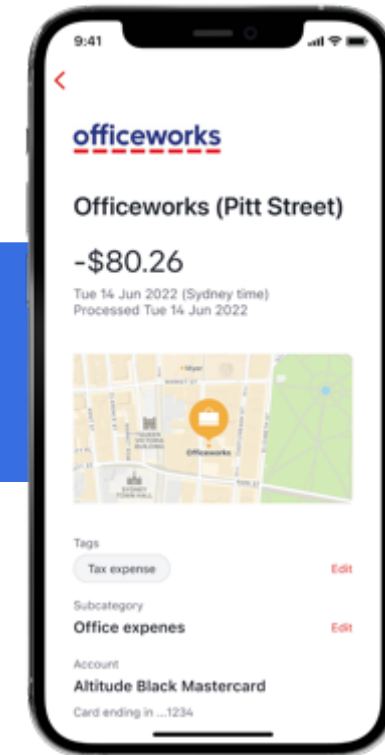
Track expenses and income



Categorise and analyse expenses



Customised transaction tagging



<sup>1</sup> Australian-based financial institutions using open banking.

## 2 Expanding access in Australia.

### Initiatives

#### Multi-brand



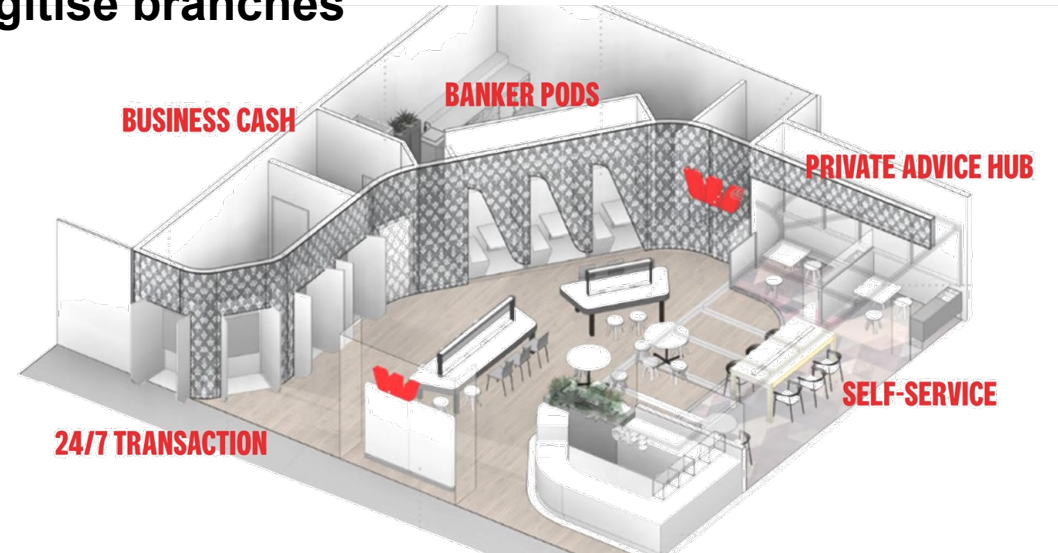
- Capability to allow any Group customer to use any branch<sup>1</sup>
- New co-located branches: reducing duplication while maintaining coverage
- Backed by 'anywhere to anywhere' banking with voice, video and mobile banker options

### Progress

- Reconfiguration of branch systems underway, expected to complete by Mar-23
- 21 co-located branches operating, reviewing opportunities for around 100 more over the next 18 months

<sup>1</sup> Covers Westpac and regional brands in Australia.

#### Digitise branches



- Physical branches being reconfigured
- Smaller footprint, modular fit-out, run using mobile technology
- Prototype designed
- Technology improvements to better connect customers from early 2023

# 3 Anchored to safety.

## Initiatives

Dynamic CVC

Biometric fraud detection

Launch of advanced customer behavioural tool to combat remote access scams

Push notifications on account activity

Real-time blocking of potentially questionable online merchants

## Progress

~10,000 customers using daily  
Fraud **~80%** lower vs cards with static CVC

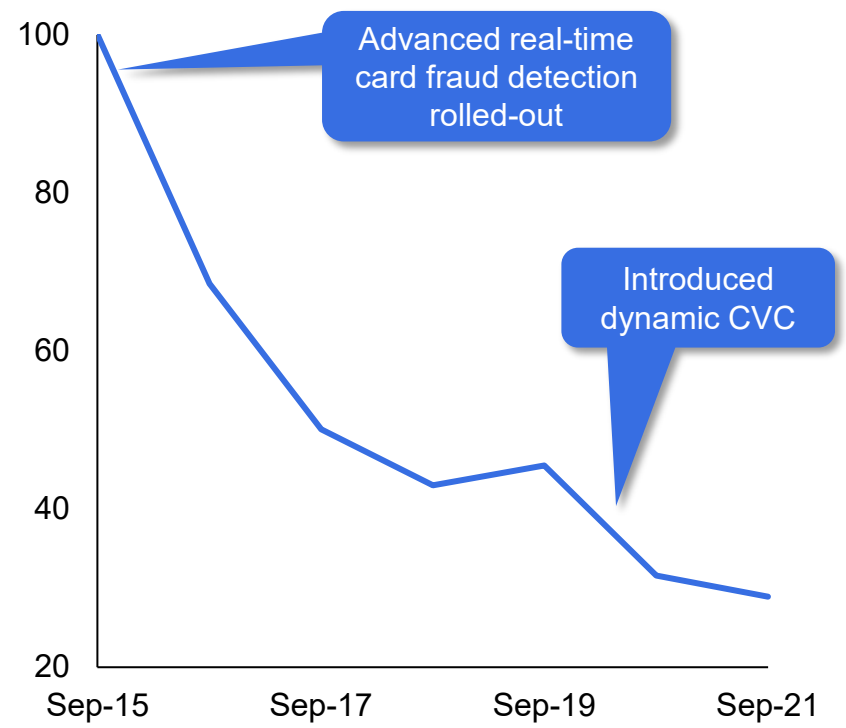
Better customer experience, less identity theft

Progressive roll-out with all key platforms monitored by end-FY22

Faster alerts have reduced losses

Saved **~\$20m for 114,000 customers** since January 2022

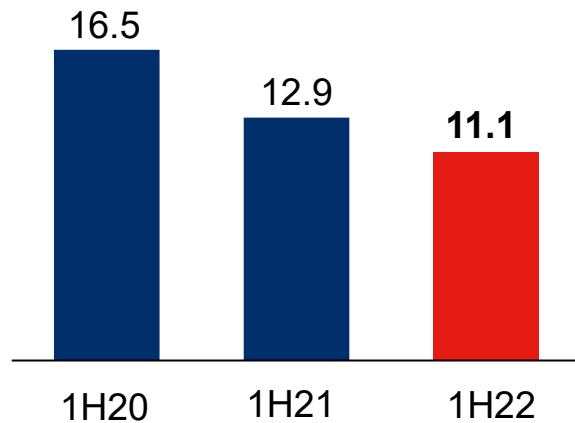
## Credit and debit card fraud losses (indexed Sep 15 =100)



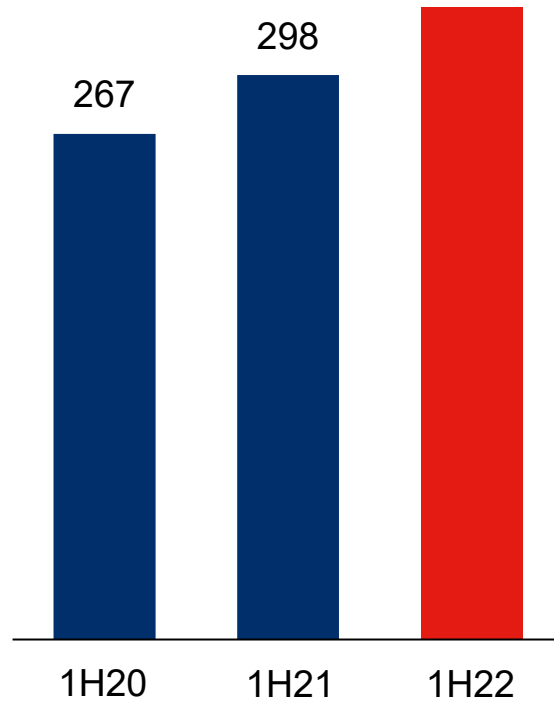
Source: Westpac

# Less physical, more digital, improved NPS.

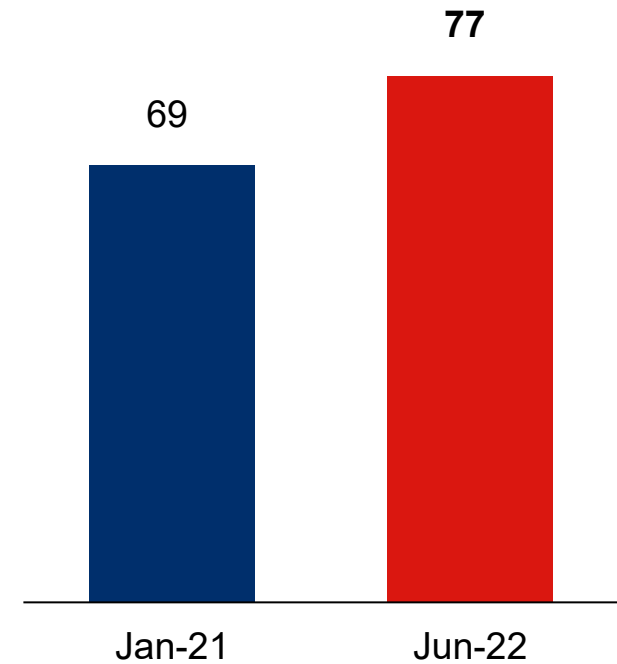
## Less physical Branch over the counter transactions (#m)



## More digital Digital transactions<sup>1</sup> (#m)



## Improved NPS<sup>2</sup> Digital NPS<sup>2</sup> (mobile and online experience)



<sup>1</sup> Digital transactions include all payment transactions (Transfer Funds, Pay Anyone and BPAY) within Westpac Live and Compass, excl. Corporate Online and Business Banking online. <sup>2</sup> Digital consumer NPS is a Net Promoter Score measuring the net likelihood of recommendation to others of the customer's main financial institution for retail or business banking. Using a 11-point numerical scale where 10 is 'Extremely likely' and 0 is 'Extremely unlikely', Net Promoter Score is calculated by subtracting the percentage of Detractors (0-6) from the percentage of Promoters (9-10). The digital Net Promoter Score is calculated from responses that are internally sourced from digital active customers after a banking session. Net Promoter Score<sup>SM</sup> is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld.

# Making progress on our plans.



**Good strategic momentum. CORE program on track**



**Becoming a net-zero bank**



**Creating a Digital first bank**



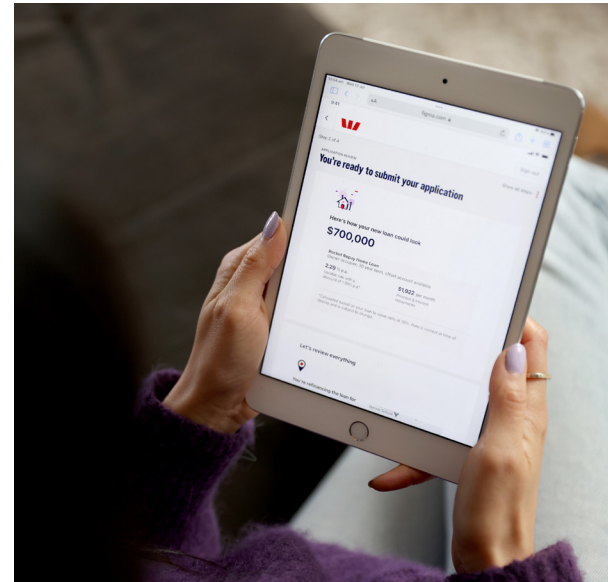
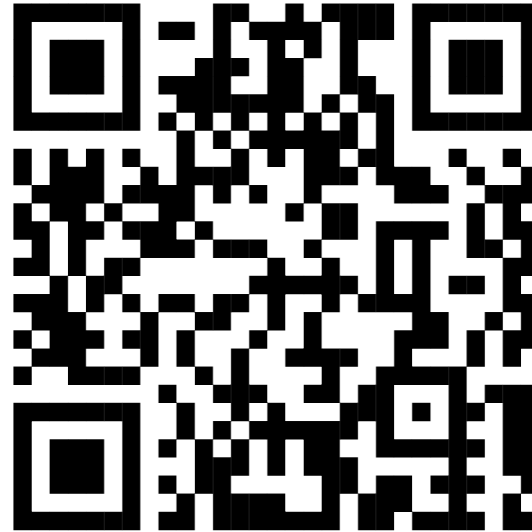
# Appendix

# Further information...

For additional information, including links to videos of our new digital features

[westpac.com.au/investorcentre](https://westpac.com.au/investorcentre) and follow the links

or scan QR code for a link to the videos on our digital features



# Committing to the NZBA<sup>1</sup>.

## Summary of NZBA commitments

**Transition** operational and attributable GHG emissions from lending and investment portfolios to align with 1.5°C pathways to net-zero by 2050 or sooner

Set scenario-based intermediate targets for 2030, or sooner, for priority GHG-intensive and GHG-emitting sectors

**Prioritise** efforts where banks have, or can have, the most significant impact

**Annually publish** absolute emissions and/or emissions intensity and progress against a board reviewed transition strategy setting out proposed actions and climate-related sectoral policies

**Take a considered approach** to the role of offsets to supplement decarbonisation in line with climate science. Offsets should always be additional and certified

## What that means for us

- Climate neutral operations and net-zero lending portfolio
- Set net-zero lending targets using our total committed exposure<sup>2</sup>
- 2030 targets for first four sectors announced today
- Baseline for first four sectors to be released November 2022
- Develop targets for other sectors to expand the coverage of our targets
- Determined most emissions intensive sectors in 2021
- Set targets for segments in our top four highest emissions intensive sectors
- Track financed emissions and disclose progress against 2030 targets as part of regular reporting process
- Climate plans approved by Board
- Disclose transition plan within 12 months of setting targets
- Continue work to operationalise targets and finalise integration into internal processes
- Review use of carbon offsets for targets as appropriate and as guidance on the role of carbon offsets evolves

<sup>1</sup> Details of the NZBA can be found <https://www.unepfi.org/net-zero-banking/>. <sup>2</sup> We set net-zero lending targets using our total committed exposure (TCE). TCE represents the maximum amount of credit exposure that Westpac has committed to provide to a customer, both on and off balance sheet. For the purposes of setting net-zero targets, this TCE definition excludes secondary market trading or underwriting committed credit exposures.



# Disclaimer

The material contained in this presentation is intended to be general background information on Westpac Banking Corporation (Westpac) and its activities.

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Unless otherwise noted, financial information in this presentation is presented on a cash earnings basis. Cash earnings is a non-GAAP measure. Refer to Westpac's 2022 Interim Financial Results (incorporating the requirements of Appendix 4D) for the six months ended 31 March 2022 available at [www.westpac.com.au](http://www.westpac.com.au) for details of the basis of preparation of cash earnings.

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