

## Corporate Responsibility

### The Westpac Group Economic and Trade Sanctions Policy

#### 1. Intent

This policy sets out the Westpac Group's approach to economic and trade sanctions ('sanctions'). It:

- sets out the principles the Westpac Group follows in ensuring compliance with sanctions and the measures it takes to ensure compliance;
- provides employees, contractors and customers with guidance about the meaning of sanctions and how to comply with them;
- outlines the key roles and responsibilities of the Westpac Group's employees, contractors, third parties, divisions and business units in relation to sanctions.

The Westpac Group complies with sanctions not simply because it is required to, but because it is the right thing to do. All Westpac Group employees and contractors have a part to play in minimising the risks associated with sanctions to the Westpac Group's business. It is the responsibility of each employee and contractor to read this policy and understand their role in assisting the Westpac Group to achieve its compliance objectives.

#### 2. Background

Sanctions are tools used by governments, international organisations (such as the United Nations) and supranational bodies (such as the European Union) to:

- encourage a change in the behaviour of a country or regime;
- support enforcement when international peace and/or national security has been threatened and diplomatic efforts have failed;
- prevent and suppress the financing of terrorists and terrorist acts.

Sanctions are intended to deter a range of activities, which may include providing safe sanctuary for international criminals (such as terrorists), nuclear development and abuses of fundamental human rights.

Sanctions affect the business operations of financial institutions and their customers by placing restrictions and controls on the movement of goods, services and funds. Restrictions can include:

- prohibiting the transfer of funds to and from a sanctioned country;
- freezing the assets of a government, the corporate entities and residents of the target country;
- targeted asset freezes on individuals/entities;
- prohibition/embargo of particular types of transactions (for example rough diamonds, narcotics and weapons);
- travel bans;
- other financial and diplomatic restrictions.

Sanctions regimes may be subject to frequent and sometimes sudden change. They can also be imposed at any time by any country, international organisation or supranational body; and in general the effect is immediate.

Financial institutions have a duty to ensure that their business operations comply with applicable sanctions regimes. If the Westpac Group fails to execute its responsibilities under applicable sanction regimes, it could be subject to significant regulatory enforcement action, fines, serious reputational damage and criminal charges in Australia or elsewhere.

## The Australian sanctions regime

Australia has in place two types of sanctions regimes: UN Security Council (UNSC) sanctions and autonomous sanctions. The Commonwealth Department of Foreign Affairs and Trade (DFAT) website provides the following definitions and information about the different types of “sanctions”:

### **UN Security Council Sanctions**

*In situations where the UN Security Council has determined the existence of a threat to the peace, breach of the peace, or an act of aggression, the [Charter of the United Nations](#) (the Charter) authorises it [the UN Security Council] to decide on measures to be taken to maintain or restore international peace and security (Charter Article 39).*

*Members of the United Nations are legally bound to accept and carry out these measures (Charter Article 25). Those measures that do not involve the use of armed force are known as “sanctions”.*

### **Australia's autonomous sanctions**

*“Autonomous sanctions” are punitive measures not involving the use of armed force that the Australian Government chooses to take (as opposed to measures it is obliged to take by virtue of UNSC resolution) as a foreign policy response to situations of international concern.*

*These measures seek to apply pressure on regimes to desist in the repression of human rights and democratic freedoms, or the pursuit of internationally or regionally destabilising policies (such as WMD [Weapon of Mass Destruction] proliferation), or to prevent regime leaders using Australia as a haven for misappropriated state or other funds.*

*In some instances, autonomous sanctions may be used to supplement UNSC sanctions.<sup>1</sup>*

Sanctions-related decisions of the UNSC are given effect in Australia by way of regulations made under the *Charter of the United Nations Act 1945* (Cth). Those regulations are administered and enforced by DFAT.

Australia implements autonomous sanctions under the *Banking (Foreign Exchange) Regulations 1959* (Cth) (administered by the Reserve Bank of Australia), and regulations made under various other pieces of legislation such as the *Customs Act 1901* (Cth) and the *Migration Act 1958* (Cth).

## Sanctions regimes of other countries

Other jurisdictions give effect to sanctions in different ways. For example:

- In the United States, sanctions can be the result of Executive Orders issued by the President declaring or reaffirming an emergency under the *International Emergency Economic Powers Act*<sup>2</sup>. UNSC sanctions are given effect under the *United Nations Participation Act*<sup>3</sup>. The principal US sanctions authority is the Office of Foreign Assets Control (OFAC).
- In the United Kingdom, there are two types of legislative instruments that impose sanctions: Statutory Instruments and European Union Regulations. UNSC sanctions are given effect under the *United Nations Act*<sup>4</sup>. European Union Regulations are available in law and enforceable in the UK under the *European Communities Act*<sup>5</sup>. The principal UK financial sanctions authority is Her Majesty's Treasury.

The sanctions laws of these and other jurisdictions are not legally binding in Australia. They can however be made Australian law through adoption by an act of Federal Parliament, but to date this approach has only been adopted for UNSC resolutions<sup>6</sup>.

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<sup>1</sup> Department of Foreign Affairs and Trade, Sanctions < [http://www.dfat.gov.au/un/unsc\\_sanctions](http://www.dfat.gov.au/un/unsc_sanctions) > at 27 April 2010

<sup>2</sup> 50 USC 1701 et seq.

<sup>3</sup> 22 USC 287c.

<sup>4</sup> 1946 Chapter 45 9 and 10 Geo 6

<sup>5</sup> 1972 c.68

<sup>6</sup> See above: “Sanctions-related decisions of the United Nations Security Council (UNSC) are given effect in Australia primarily under the *Charter of the United Nations Act 1945* (Cth)”

### 3. Scope

This policy applies to all Westpac Group employees, secondees, contractors and people on work experience in Australia, New Zealand, the Pacific and other overseas offices (called “employees and contractors” in this policy).

### 4. Definitions

Term	Definition
<b>Designated entities</b>	■ Individuals or entities that the Westpac Group and its employees and contractors are prohibited (under economic and trade sanctions programs) from providing services to, or conducting transactions with, and/or those whose assets are blocked. These designated individuals or entities can be named by Australian or foreign governments, international organisations and supranational bodies. In this policy, “designated entities” includes “Specially Designated Nationals”
<b>Specially Designated Nationals</b>	■ OFAC–designated individuals or entities that the Westpac Group and its employees and contractors are prohibited (where OFAC regulations apply under this policy) from providing services to, or conducting transactions with, and/or those whose assets are blocked
<b>Sanctions regime</b>	■ The legal framework promulgating sanctions in particular jurisdictions

### 5. The Westpac Group’s approach to sanctions

This section sets out the principles and requirements that govern the Westpac Group’s approach to sanctions, the key obligations imposed on its employees and contractors, and the operational framework it has in place to support compliance with this policy.

#### 5.1 The principles

The following principles govern the Westpac Group’s approach to sanctions. All subsequent requirements in this document are to be read in the context created by these principles. In the event of a conflict between principles and requirements, the principles will prevail.

1. The Westpac Group maintains a sanctions policy to meet obligations under sanctions regimes of the jurisdictions within which it undertakes business.
2. The Westpac Group complies with the requirements of the Australian sanctions regime both within Australia and abroad. The Westpac Group foregoes any business that would breach the Australian sanctions regime.
3. For its operations overseas, when initiating or processing transactions, the Westpac Group adheres to the sanctions regimes in effect in those countries in addition to the requirements of the Australian sanctions regime.
4. In addition to the requirements of the Australian sanctions regime and the local sanctions regimes governing any overseas operation, the Westpac Group takes into account other sanctions regimes where non adherence may impact the Westpac Group’s ability to access overseas markets.
5. The Westpac Group may decide not to provide products or services even where it is permitted by law. These decisions may be guided by risk appetite, corporate social responsibility, or business efficacy.
6. In carrying out its compliance obligations, the Westpac Group relies on information provided to it by its customers and business partners unless it is aware or suspects that those customers and business partners, or the information provided, is unreliable or dishonest.

7. The Westpac Group reports any breach of sanctions regimes under this policy to the appropriate authorities in a timely manner and in accordance with law.
8. Where a conflict exists between the laws in those countries in which the Westpac Group operates and the requirements of the Australian sanctions regime, the Australian sanctions regime will prevail. The Westpac Group will immediately forgo any business that would be non-compliant with the Australian sanctions regime. Where the Westpac Group is unsure as to whether or not a conflict exists it will seek advice from the relevant Australian Government agency prior to commencing or continuing the business activity.
9. The Westpac Group exercises due care in designing and refining business rules and processes to ensure that no individual transaction involves a knowing breach of applicable sanctions obligations. The operational approach occurs within the context of industry practice, the level of information ordinarily available in payment messages, and the generality of the language detailing sanctions obligations.

## **5.2 The requirements**

1. The Westpac Group screens for designated entities in accordance with applicable sanctions regimes both in Australia and overseas.
2. The Westpac Group maintains a register of global sanctions obligations.
3. The Westpac Group provides sanctions training to relevant employees and contractors.
4. The Westpac Group will act in accordance with industry guidelines for sanctions. Where a conflict exists between the industry guidelines and the principles and requirements in this policy, this policy will prevail.
5. The Westpac Group requires that its counterparties do not engage in or facilitate any business activity that would lead the Westpac Group to breach any applicable sanctions obligations.
6. The Westpac Group communicates its sanctions policy to customers who might be impacted by sanctions to assist them in complying with applicable sanctions regimes.
7. The Westpac Group screens new and existing customers to reduce the risk of establishing or maintaining an account for a designated entity.

## **5.3 Roles and responsibilities for using this policy**

Westpac Banking Corporation Board of Directors and the Westpac Group Senior Management have ongoing oversight of this policy and related economic and trade sanctions procedures.

Employees and contractors must comply with this policy and related procedures, report matters or behaviours of concern and attend training as required for their role.

The Westpac Group has also appointed a Group Sanctions Officer (GSO) and Deputy Group Sanctions (Deputy GSO) who are supported by Business Sanctions Officers (BSOs). These individuals support and co-ordinate senior management focus on managing sanctions risks across the Westpac Group. The GSO and Deputy GSO are appointed by the Chief Risk Officer and are at senior management level. The GSO, in consultation with the Deputy GSO, develops and deploys appropriate oversight, monitoring and controls to ensure compliance with applicable sanctions regimes and this policy.