



# ABOUT CORPORATE RESPONSIBILITY

Westpac Banking Corporation  
ABN 33 007 457 141

## **Scope**

This report covers the policies, practices and performance of Westpac Banking Corporation in Australia for the year ending 30 September 2002, unless otherwise stated. All dollar figures are AUD.

## **Disclaimer**

The independent social commentary in the report by members of the community in no way represents an endorsement of the content of the report and is not meant to represent the views of Westpac.



Chairman's and CEO's foreword



Corporate responsibility and our business



A view from an employee



A view from a customer



A view from the street



A view from an environmentalist



A view from a shareholder

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## Chairman's and CEO's foreword

Our first Social Impact Report emphasised our commitment to take greater account of our impact on society and treat it as a business basic. We are pleased to present our second report which details our progress in integrating corporate responsibility into our business model and enhancing our longer-term sustainability.

In 2002 we progressed and prospered across the board. We again delivered sound financial results, while gaining widespread recognition for our practices in the workplace and across the social and environmental dimensions. External sustainability ratings assess us as a leader in these areas within the global financial services industry.

However, our success in integrating corporate responsibility into the way we do business is not cause to rest on our achievements. Much still needs to be done and as you will see from this report we continue to have some way to go in fully earning the respect of our customers for service. When only one in seven in the community see us as a company with a reputation for outstanding service, we know we are well short of our aspirations to be at the forefront for service in our industry.

Our impact on our society continues to be large and our engagement with stakeholders on matters of concern to them is as active as ever. Much of the concern centres on the growing outrage in the community over what is seen as a breakdown in the corporate oversight system.

People are understandably frustrated and angry at what they see as a lack of corporate transparency and accountability. It is of no surprise that a company's level of governance and responsibility has emerged as a significant indicator of its overall health as a business.

After all, companies such as Westpac need more than a legal licence to operate – we require a community licence as well.

For us, this means having a set of decent values that underpin our everyday activities: our transparency; our desire for fair dealing; our human resources policies; our attitudes to customers; as well as our links into the community. During the year we again reviewed and enhanced our corporate governance program as part of our genuine commitment to good governance and corporate responsibility, both of which are fundamental to our future.

Our report again conforms to the Sustainability Reporting Guidelines framework of the Global Reporting Initiative (GRI). You will see that we have introduced aspiration targets this year in key areas and have sought to acknowledge the views of a real cross-section of society on the role of corporations in charting a path to a healthy and sustainable future for our communities.

Finally, our report represents only one piece of what we must do to continue to produce sound and sustainable financial results while being a good corporate citizen. Though the challenges in remaining at the forefront are considerable, the rewards will be great for our company and for our society as a whole.



Leon A. Davis  
Chairman



David Morgan  
Chief Executive Officer



*"People are understandably frustrated and angry at what they see as a lack of corporate transparency and accountability. It is of no surprise that a company's level of governance and responsibility has emerged as a significant indicator of its overall health as a business."*

## Performance indicators guide

This guide covers the indicators we are reporting on, where they were sourced from, and whether they represent policies and programs in place or are numerical indicators against which we can assess our performance.

The social impact reporting framework used is based on the Global Reporting Initiative, the industry sector-specific frameworks of EPI-Finance and SPI-Finance, and input from our Australian stakeholders.

A diverse group representing key Australian stakeholders contributed their valuable time in developing the Australian indicators and providing feedback on the SPI Finance indicators. We acknowledge their valuable contribution.

### Key reporting framework

- Global Reporting Initiative
- SPI-Finance 2002
- Australian stakeholder indicator
- EPI-Finance 2000

### Performance indicators

- 😊 Positive trend
- 😞 Negative trend
- 😐 Neutral or mixed trend
- ✓ In place





GENERAL	Indicator	Reporting Framework	Indicator type/Performance*		Page
			Qualitative	Quantitative	
<b>Chairman's &amp; CEO's statement</b>		●	✓		2
<b>Scope of report</b>		●	✓		Inside cover
<b>Westpac profile</b>		●	✓		8
<b>CSR management</b>	CSR policy	● ● ●	✓		10
	CSR organisation	● ● ●	✓		11
	Internal and external audits	● ● ●	✓	😐	11
	Stakeholder dialogue	● ●	✓		13
	Management of sensitive issues	● ● ●	✓		13
	Performance screening of suppliers	● ● ● ●	✓		11
	Emerging issues	● ● ●	✓		13
	Verification statements	●	✓		48-50
	Glossary	●	✓		51
<b>Business model</b>	Vision	● ●	✓		8
	Values	● ●	✓		8
	Strategy	●	✓		8
<b>Governance</b>	Governance practices	●	✓		10-12
	CSR governance structure	●	✓		11
	Auditing and verification	● ● ●	✓		11, 48-50
	Market disclosure	●	✓		12
	Political donations	●	✓		12
	<b>Management approach</b>	Board and CEO responsibilities	●	✓	
Management model		●	✓		12
Value management framework		●	✓		12-13

\*Performance trends are self-assessed and have not been audited although they are based on verified performance data.

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### Performance indicators

-  Positive trend
-  Negative trend
-  Neutral or mixed trend
-  In place

SOCIAL	Indicator	Reporting Framework	Indicator type/Performance*		Page	
			Qualitative	Quantitative		
<b>Employee CSR</b>	Internal CSR policy	 			16	
	Employee turnover	  		 	18	
	Employee satisfaction (ES)					
	– work/life balance	  			17	
	– communication	  			17	
	– employee commitment	  			17	
	– training and development	  			17	
	– job security	  			17	
	Remuneration fostering sustainability	  			18	
	Female-male salary ratio	 			17	
	Workforce profile and diversity	  			16, 20 -21	
	Performance and evaluation	 			17	
	Non-work aspects of career management	 			18,20-21	
	Staff workloads				18	
	Staff selection and contract				17	
	Graduate recruitment	  			18	
	Occupational health and safety	 		 	19	
	<b>Retail banking</b>	Retail banking policy	  			24-27
		Customer charter				24-26
		Transparency of fees and charges				24
Responsible lending					24	
Accessibility and availability of banking services		 		 	26	
Regional infrastructure		 		 	30-31	
Complaints resolution and types		 		 	25-26	
Social safety net banking & affordability		  		 	24	

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SOCIAL		Reporting Framework		Indicator type/Performance*		Page	
	Indicator			Qualitative	Quantitative		
<b>Retail banking</b>	Improving accessibility for people with disabilities	<span style="color: white;">●</span>	<span style="color: black;">●</span>	✔	😊	27	
	Consumer lending with high social benefit	<span style="color: red;">●</span>	<span style="color: black;">●</span>	✔		26	
<b>Business banking</b>	Lending policy	<span style="color: red;">●</span>	<span style="color: black;">●</span>	✔		27	
	Lending profile	<span style="color: red;">●</span>	<span style="color: black;">●</span>	✔		28	
	Lending with a high social benefit	<span style="color: red;">●</span>	<span style="color: black;">●</span>	✔		27	
<b>Institutional banking</b>	Lending policy	<span style="color: red;">●</span>	<span style="color: black;">●</span>	✔		28	
	Lending with a high social benefit	<span style="color: red;">●</span>	<span style="color: black;">●</span>	✔	😞	28-29	
	Third World Debt		<span style="color: black;">●</span>	✔		28	
	Global country profile	<span style="color: red;">●</span>	<span style="color: black;">●</span>		😐	28	
<b>Asset management</b>	SRI policy	<span style="color: white;">●</span>	<span style="color: red;">●</span>	<span style="color: black;">●</span>	✔	28-29	
	Assets under management with high social benefit	<span style="color: white;">●</span>	<span style="color: red;">●</span>	<span style="color: black;">●</span>	✔	😊	29
<b>Insurance</b>	Insurance product profile		<span style="color: red;">●</span>	✔	😐	29	
	Customer complaints	<span style="color: white;">●</span>	<span style="color: red;">●</span>	✔	😐	29	
<b>Performance to society</b>	Building social capital	<span style="color: white;">●</span>	<span style="color: red;">●</span>	<span style="color: black;">●</span>	✔	34	
	Enhancing financial literacy	<span style="color: white;">●</span>	<span style="color: red;">●</span>	<span style="color: black;">●</span>	✔	34	
	Aggregated contributions	<span style="color: white;">●</span>	<span style="color: red;">●</span>	<span style="color: black;">●</span>		😊	34-35
<b>Suppliers</b>	Performance screening of suppliers	<span style="color: white;">●</span>	<span style="color: red;">●</span>	<span style="color: black;">●</span>	<span style="color: black;">●</span>	✔	11
<b>ENVIRONMENT</b>							
<b>Environmental performance</b>	Environmental policy statement	<span style="color: white;">●</span>	<span style="color: black;">●</span>	✔		40	
	Environmental governance	<span style="color: white;">●</span>	<span style="color: black;">●</span>	✔		40	
	Environmental audits and reporting	<span style="color: white;">●</span>	<span style="color: black;">●</span>	✔	😊	11,41,49	
<b>Environmental KPIs</b>	Electricity consumption	<span style="color: white;">●</span>	<span style="color: black;">●</span>	✔	😐	42	
	Paper consumption	<span style="color: white;">●</span>	<span style="color: black;">●</span>	✔	😐	42	
	Water consumption	<span style="color: white;">●</span>	<span style="color: black;">●</span>	✔	😐	43	





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### Key reporting framework

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ENVIRONMENT	Indicator	Reporting Framework	Indicator type/Performance*		Page
			Qualitative	Quantitative	
<b>Environmental KPIs</b>	Car fleet	● ●	✓	😊	43
	Total greenhouse gas emissions	● ●	✓	😊	40
<b>Business banking</b>	Total lending	● ●		😊	41
	Lending with high environmental benefit	● ●	✓	😊	41-42
<b>Institutional banking</b>	Total lending	● ●	✓	😊	41
	Environmental screening	● ●	✓	😊	41
	Lending with high environmental benefit	● ●	✓	😊	41-42
<b>SRI policy</b>	Policy statement	● ●	✓		28,42
	Assets under green management (SRI funds)	● ●	✓	😊	42-43
	Dialogue	● ● ●	✓		42-43
<b>Suppliers</b>	Performance screening of key suppliers	● ● ● ●	✓		11
ECONOMIC					
	Profit	● ●		😊	46
	Earnings per share	● ●		😊	46
	Dividends	● ●		😊	46
	Return	● ●		😊	46
	Efficiency	● ●		😊	46
	Market price to net tangible assets	● ●		😊	47
	Staff productivity	● ●		😊	47
	Profit by region	● ●		😊	47
	Assets by region	● ●		😊	47
	Operating income by key business units	● ●		😊	47
	Value generation	● ●	✓	😊	47
	Value distribution	● ●	✓	😊	47

\*Performance trends are self-assessed and have not been audited although they are based on verified performance data.

# Corporate responsibility and our business

Our priority has been to fully integrate corporate responsibility, including best practice governance, into our business model. Adopting a total responsibility approach is now part of the normal way we go about our business and it is greatly enhancing our sustainability.

## Our profile

Westpac was founded as the Bank of New South Wales in 1817, becoming the first company and the first bank to be established in Australia. The bank was subsequently reconstructed and incorporated in 1850 as the 'new' Bank of New South Wales by an Act of the New South Wales Parliament. In 1982, the bank became Westpac Banking Corporation following the merger with the Commercial Bank of Australia.

Today we are a market leader throughout Australia, New Zealand and the Pacific region in providing a comprehensive range of banking and financial services. We also maintain offices in key financial centres around the world.

As at 30 September 2002, our group-wide corporate footprint was:

- Market capitalisation – \$25 billion
- Total assets – \$191 billion
- Net profit – \$2.2 billion
- Shareholders – 231,655
- Customers – 7.5 million
- Staff – 24,776

## Our DNA

### *Our vision, mission and values*

Our vision is to be a great Australian company – a great place to work for our staff, a superior experience for our customers, first quartile returns for our shareholders

and a good corporate citizen in the community. Our vision tells us who we want to be and unites our organisation as we move forward.

Our mission is to be at the forefront for service in our industry by September 2005, within our key markets.

We have three core values:

**Teamwork** – working together to achieve common goals.

**Integrity** – acting honestly and doing what we say we will.

**Performance** – being accountable and delivering superior results.

Our values represent the essential spirit of our company, how we see ourselves and how we would like others to see us.

### *Our business strategy*

We have a customer-focused strategy involving:

- Delivering a superior customer experience and broadening customer relationships;
- Driving operational efficiency;
- Balancing risk and reward;
- Embedding a values driven high performance culture; and
- Integrating corporate responsibility into our business model.

We have implemented this customer-focused strategy within a service profit chain framework. We target enhanced employee commitment by adopting progressive workplace

**VISION**

**“To be a great Australian company”**

- A great place to work
- A superior customer experience
- First quartile shareholder returns
- A good corporate citizen

**STRATEGY**

**Customer focus**

- Know and respect our customers
- Understand our customers’ needs
- Consistently deliver what we promise
- Work to build great relationships
- Act honestly

**HOW?**

**Differentiator: Superior execution**

- Our high performance culture:
  - Quality people
  - Effective processes
  - Values and mind set

**OUTCOMES**

**Core Group objectives 2003**

- Increase employee commitment by at least 5%
- Improve customer satisfaction by at least 5%
- Deliver cash earnings growth of 7% to 9%
- Leader in corporate responsibility

**MISSION**

**“To be at the forefront for service in our industry by September 2005.”**

**VALUES**

- Teamwork
- Integrity
- Performance

**SERVICE PROFIT CHAIN**



and management practices. Together with our service improvement initiatives, we see employee commitment, retention and productivity as core inputs into improved customer satisfaction and hence customer loyalty. This, in turn, drives revenue enhancement and hence shareholder value.

As part of our customer-focused strategy, we have been diversifying our distribution approach from the simple branch focused model of the past into a diversified mix of distribution channels. We seek to provide customers with seamless access to our face-to-face branch channels, telephone and Internet banking, ATMs and EFTPOS facilities, relationship managers, financial planners and mortgage lending representatives. Our strategic approach is to also integrate third-party channels such as independent financial advisers, accountants and mortgage brokers into our business and sustainability model.

### **Our commitment to corporate responsibility**

Our commitment to corporate responsibility is a simple one. It is only by fully integrating corporate responsibility into the way we do business that we can sustainably enhance shareholder value.

For us corporate responsibility means conducting our business so that we meet our financial, social and environmental responsibilities in an aligned way. At its core, it is simply about having a set of decent values and behaviours that underpin our everyday activities: our transparency; our desire for fair dealing; our treatment of our people; our attitudes to and treatment of customers; and our links into the community.

As a bank we not only need a legal licence to operate, we also need a community or social licence – some social legitimacy. And it is only by delivering for all stakeholders that we will be able to achieve even better results for our shareholders. That's why a mindset of corporate responsibility is not an add-on or an extra to the nuts and bolts of our business – it's about the business itself. For our business to be genuinely sustainable, corporate responsibility must be part of the very fibre of our company, part of our DNA.

### **Corporate responsibility policies and practices**

Our charter of social accountability policies and practices titled 'We believe in...' details our policies and practices covering the social, environmental and financial spectrums.

@ A full copy of Westpac's Charter of Social Accountability Policies and Practices is available at: [www.westpac.com.au/internet/publish.nsf/Content/WISP+Social+Accountability+Report](http://www.westpac.com.au/internet/publish.nsf/Content/WISP+Social+Accountability+Report)

This social accountability charter sits alongside our other specific corporate policies, including:

- Our Personal Customer Charter;
- Our Employee Code of Conduct;
- Our Workplace Diversity Policy;
- Disability Discrimination Action Plan;
- Environmental Policy;
- Anonymous Feedback Facility (Whistle blowing protection); and
- Anti Money Laundering Policy.

@ Details of these policies can be found at: [www.westpac.com.au/internet/publish.nsf/Content/WISPPP+Policies+and+Practices](http://www.westpac.com.au/internet/publish.nsf/Content/WISPPP+Policies+and+Practices)

These policies sit alongside consumer protection and industry codes, such as the Australian Code of Banking Practice.

@ Details of these codes can be found at: [www.bankers.asn.au/ABA/adminpages/AdminViewAnArticle.asp?ArticleID=247](http://www.bankers.asn.au/ABA/adminpages/AdminViewAnArticle.asp?ArticleID=247)

### **How we govern ourselves**

#### *Governance practices*

For us, corporate governance encompasses the principles that guide us, the practices that protect us, and the controls that govern us in serving our shareholders.

The Board is committed to the highest standards of corporate governance, which it recognises as fundamental to all its activities. This includes regularly reviewing and improving our governance practices; monitoring global developments in best practice corporate governance; and contributing wherever we can to local and overseas debates on what constitutes best corporate governance practice.

This has included the recent conduct of a Board workshop to review current governance practices and developments.

@ A full statement of our governance practices is published on page 38 of our 2002 Concise Annual Report and is available on our website at: [www.westpac.com.au/internet/publish.nsf/Content/ARCG+Policy+matters](http://www.westpac.com.au/internet/publish.nsf/Content/ARCG+Policy+matters)

In our corporate governance statement we set out the principles and practices covering:

- The Board, Board committees and their roles;
- The role of the Chief Executive Office and Executive Office;
- Audit governance and independence;
- Paying and rewarding executives;
- Ensuring the market is fully informed;
- Controlling and managing risk;
- Ethics, compliance and our Code of Conduct; and
- Meeting our wider corporate responsibilities.

We also endorse the principle of having our governance practices assessed externally and stakeholder dialogue to promote good corporate governance.

**Auditing and verification practices**

We remain committed to independent auditing and verification processes on our performance and monitor local and overseas developments and review our practices accordingly. While best practice in financial and audit governance is evolving rapidly, we endorse four basic principles:

- that management must produce true and fair financial reports;
- that the company's true financial position and the substance of its social and environmental performance be subject to independent audit;
- that financial and accounting auditing processes and practices are comprehensive and relevant; and
- that relevant social and environmental accounting and auditing standards are adopted as they emerge.

Our independent external auditors are appointed by shareholders at the Annual General Meeting. They are required to confirm to the Board that they maintain their independence at the half-year and full-year assessment. In addition, the Board Audit and Compliance Committee periodically meets with the financial auditors separately.

Subject to applicable regulatory requirements, from the 2003 financial year we will require rotation of the signing partner and review of audit partners on a staggered basis at least every five years. We will also require a minimum three years 'cooling off' period before an audit partner is allowed back on to the audit team.

**Supply chain management**

Our supply chain involves approximately 11,700 suppliers, covering a broad spectrum of companies, from large multinational firms to small locally operated businesses, delivering goods and services with an annual value of \$1.8 billion as at August 2002. Our supply chain is highly concentrated with over 80% of the annual spending absorbed by the top 215 suppliers.

Since our last report we have developed a strategic approach to managing our supply chain to better understand supply chain risks and positively influence our supply chain partners. This involves the implementation of six key phases:

- Development of a sustainable supply chain framework (including policy and development);
- Data gathering on the performance of current suppliers;
- Data gathering and screening on potential new suppliers;
- Compliance across business units to ensure universal engagement of Group Procurement in all supplier selection activities;
- Supplier management and influencing; and
- Reporting on supply chain impact in future Social Impact Reports.

**Internal and external audits**

Type	2002		2001	
	No.	Hours	No.	Hours
All internal group audit	149	61,463	161	67,579
Internal OHS audit	8	486.4	7	512
External OHS audit	8	509.2	8	656
External enviro audit	1	97	1	88
Internal enviro audit	1	50	-	-
External financial audit	121 <sup>^</sup>	*	109	*

Not measured in hours  
<sup>^</sup> Westpac also received 33 regulatory reports.  
 \* Details of external auditor remuneration is set out in Note 31 page 117 of Westpac's 2002 Annual Financial Report.

**Corporate social responsibility governance structure**



We also independently audit and verify annual reporting of our social and environmental performance. Details are set out on pages 48 - 50 of this Report.

It remains our practice to use internal auditing to test validity of data and processes for key aspects of our corporate responsibility and community programs including our progress reports for the Australian Government Greenhouse Challenge.

@ Additional information on our approach to audit governance and independence is detailed on pages 42 - 43 of our 2002 Concise Annual Report.

### *Market disclosure principles and practices*

We have a comprehensive market disclosure policy to ensure all shareholders are given comprehensive and equal access to information about our activities, and to fulfil our continuous disclosure obligations to the broader market.

We fully comply with the Australasian Investor Relations Association best practice guidelines. All market-sensitive data, public announcements, corporate presentations and reports are, once released to relevant stock exchanges, widely released to the market via media releases and posted on our website.

@ Our market disclosure policy can be accessed at:  
[www.westpac.com.au/internet/publish.nsf/Content/WISPPP+Policies+and+Practices](http://www.westpac.com.au/internet/publish.nsf/Content/WISPPP+Policies+and+Practices)

### **Our approach to political donations**

Each year the Board reviews our approach to political donations. Our policy is that if we make political donations to promote the democratic process they should be on a generally even-handed basis to major political parties with a broad cross-section of parliamentary representation.

All donations are declared according to electoral laws and are also detailed on page 54 of the 2002 Concise Annual Report.

### **How we manage ourselves**

#### *Roles and accountabilities*

Our governance and operating model defines the role of the Board, the CEO and Executive Office. The Board's specific responsibilities include:

- providing strategic direction and approving corporate strategies;
- selection and evaluation of directors, the Chief Executive and senior management;
- planning for management succession;
- monitoring management and financial performance;
- ensuring the maintenance of adequate risk management controls and reporting; and
- ensuring our business is conducted ethically and transparently.

The CEO's specific responsibilities, together with the Executive Office, include:

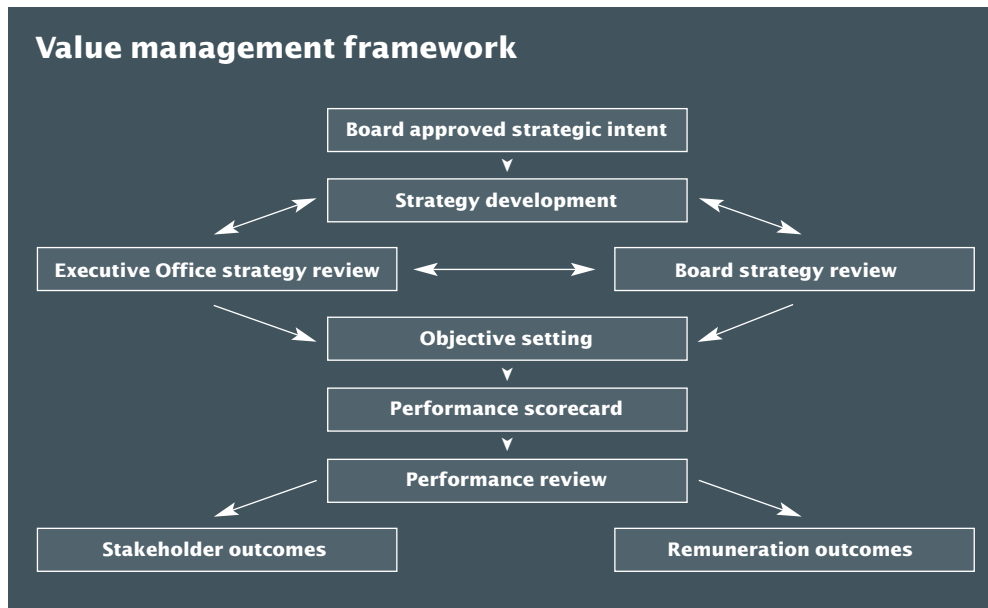
- developing policies, controls, processes and procedures to implement the Board-approved strategy;
- running Westpac's day-to-day business;
- identifying and managing the risks in all of our activities;
- reviewing management resourcing and succession planning; and
- overseeing the annual remuneration review process.

#### *Management model and approach*

Our management approach is to ensure that openness, customer focus and participative management are promoted at all levels and across all boundaries. It is a values driven model with clear accountabilities and performance linked rewards.

We have also adopted a value management framework so strategic decisions and management actions are focused on improving shareholder value while meeting our corporate responsibilities.

Our value management framework is illustrated below. It links our strategic intent, strategy development and strategy review to our objective setting, accountability and performance review. Throughout, we use economic profit (profits in excess of the minimum return required by our investors) as our robust measure of value creation.



### Stakeholder dialogue and emerging issues

Active stakeholder dialogue was maintained in the year with a broad range of representative groups ranging across non-governmental organisations (NGOs), trade unions, financial and consumer advocacy groups, government and industry bodies, shareholders and investors, and international CSR organisations such as UNEPFI, and the Global Reporting Initiative.

We have sought to incorporate feedback from key stakeholders on our first Social Impact Report into modifications to this report.

Within this reporting period, we have consulted with our stakeholders on a number of current and emerging key issues. These included:

- Responsible lending initiatives;
- Components and definitions of lending with high social or environmental benefit;
- Governance;
- Rural and regional services;

- Drought assistance for farmers and small businesses;
- Indigenous access to financial services; and
- Public - private sector community partnerships.

Westpac will continue to engage in dialogue with our stakeholders on sensitive topics as they arise, as we believe this helps us to respond effectively to changing community priorities and concerns.

### Managing sensitive issues

Several sensitive issues arose and were managed throughout the year.

#### *Rocket Home Loan campaign*

Following our initial promotional campaign for our Rocket Home Loan, the Australian Securities and Investments Commission (ASIC) raised concerns that certain representations used in the advertising of the loan could have been misleading.

We cooperated fully with ASIC and agreed to suspend and amend the specific promotion and other materials. We also wrote to all consumers who had taken out or applied for loans as a result of the advertisement to explain the representations made.

#### *Anti Money Laundering*

Our Anti Money Laundering policy outlines our commitment to preventing money laundering through the products and services we provide in Australia, New Zealand and in other offshore countries and territories where we have direct representation.

Our policy draws upon the Wolfsberg Principles for Private Banking, and the various guidelines issued by the Financial Action Task Force, the Asia Pacific Group on Money Laundering and the United Nations Global Program Against Money Laundering.

@ More information on our Anti Money Laundering policy is available at: [www.westpac.com.au/internet/publish.nsf/Content/WISPSA+Westpac+Group+Policy+on+Money+Laundering](http://www.westpac.com.au/internet/publish.nsf/Content/WISPSA+Westpac+Group+Policy+on+Money+Laundering)

#### *Two-tier property markets*

Following concerns relating to the reported existence of a two-tier market in the pricing of some home and investment properties in south east Queensland, we have chosen to notify borrowers if our property valuation varies from the disclosed purchase price by plus or minus 10%. Our policy is that facilitating or participating in any two-tier market pricing is strictly prohibited.



"With their social impact reporting, Westpac has accepted that 21st century business must stand up to be counted in its workplace practices."

Sharan Burrow  
President, Australian Council  
of Trade Unions (ACTU)

"Having a job that is very flexible when it comes to working hours and time away has made the difference. With my husband spending many months away from home, I depend on a little understanding from my manager when it comes to changing my hours to suit my family's needs."

Pip Kent



## *A view from an employee*

With my husband in the armed forces, and away for long periods of time, being able to juggle my family and work commitments is a necessity. Right now, spending precious time with my husband and son is the most important element in my life.

The thought of staying at home had crossed my mind, but what I wanted was the right opportunity to return to work, and on a part-time basis, so that I could find the balance I needed.

Many mums in the workforce are in the same position. I have an energetic son, who has just turned two and now I'm thrilled to be pregnant with my second child. But having two children at home is going to change the dynamics of my daily routine dramatically, and I am going to require further support to be able to return to work for the second time.

Having a job that is very flexible when it comes to working hours and time away has made the difference. With my husband spending many months away from home, I depend on a little understanding from my manager when it comes to changing my hours to suit my family's needs.

When I joined the Bank 15 years ago, it was commonplace for women to work until they had their first child and then leave the workforce to remain at home and 'bring up the kids'. Your career took second place and the thought of returning to work was often frowned upon. Thankfully, over the years some companies have changed to enable mums like me to return to the career we have spent so many years striving for and developing.

To enable me to achieve both my personal and professional goals, I need adaptable working conditions to suit my needs. Paid maternity leave and up to 52 weeks parental leave are vital for any expanding family. A show of strong support from both executive

and immediate management are also of the utmost importance when it comes to making decisions on my future working relationships.

Having been in the land of nappies and puréed carrots for 12 months, the thought of returning to work after such a long break will be a daunting one. Throughout all workplaces, change is inevitable, and to be able to perform my role to the best of my ability and achieve my objectives once I return, I will need further training in many areas – a challenge I will look forward to facing.

I understand the Bank is constantly looking at ways to improve their family-friendly policies, and the inclusion of new resources such as child care centres has proved invaluable. It would make my decision to return to work that much easier if we were to have access to child-care close to the workplace.

Also, it is a strong possibility that my husband may be offered a posting to the eastern states to further his career. In the event of this happening, I would welcome the opportunity to discuss this with my manager and negotiate the possibility of me transferring to a position using my current skills in our new locality.

It seems that many expectations are put on companies these days by women who choose to work while starting a family. However, mothers in the workplace are often highly trained, valuable assets, who should be encouraged to further their careers while fulfilling the most prized role of all – motherhood.

**Pip Kent, employee – Perth.**

# Employees

## Policies

Our employee policies and practices are keystones in promoting sustainable business practices. These policies include employment, remuneration, occupational health and safety, anti-discrimination, diversity, freedom of association and grievance procedures. The behaviour of our staff is also governed by an Employee Code of Conduct.

@ Further details on our employment practices are set out in our Social Accountability Statement at:  
[www.westpac.com.au/internet/publish.nsf/content/WISP+Social+Accountability+Report](http://www.westpac.com.au/internet/publish.nsf/content/WISP+Social+Accountability+Report)

## Employee commitment

One of our key strategic objectives is to be an 'employer of choice', attracting committed and highly motivated employees who support our core values. That is why our employee policies and practices are keystones in ensuring we develop a successful and sustainable business.

In 2002, employee commitment increased by 5 percentage points to 65%, an increase of 7% overall, as measured by International Survey Research (ISR) an independent global survey firm specialising in customised employee opinion and attitude surveys. In 2002, 76% of staff responded to the survey, up from 74% in 2001.

In 2003, our objective is to increase employee commitment by a further 5% overall.

## Employee profile

Our flexible workplace practices are designed to accommodate the varied personal circumstances in which our employees work and live. We directly employ approximately 13,745 fulltime and 6,343 part-time employees in Australia. In addition, we provide employment opportunities for an increasing number of temporary and contract employees, as well as employees of outsource partners.

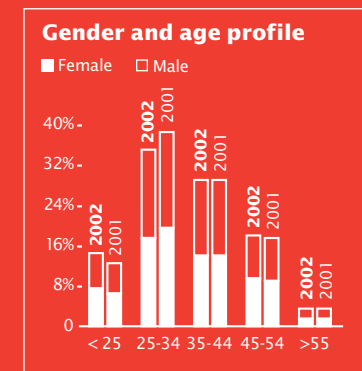
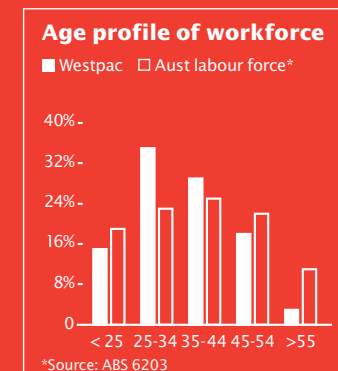
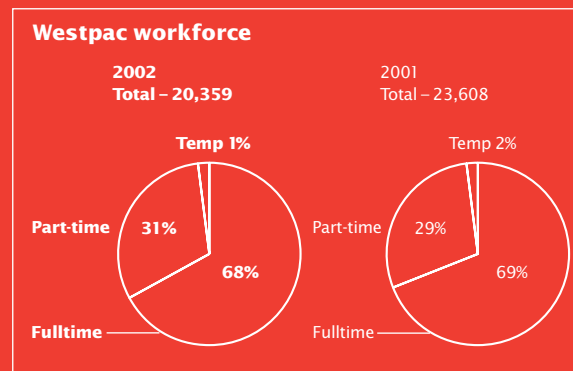
Following on from our First Social Impact Report, we have placed further emphasis on aligning the makeup of our workforce with the broader Australian community. Over the next three years, we plan to recruit up to 900 mature age staff.

Presently, we remain unable to directly measure levels of disability and ethnicity in our workforce due to anti-discrimination legislation in Australia. That is why in 2003 we are undertaking a voluntary census on the diversity of our employees, involving self-identification of disability, ethnicity and job design. This approach will ensure that our staffs' right to privacy is protected and maintains individual ability to choose how or if employees wish to be identified.

But this is not preventing us from moving forward. In the three months to September 2002, we placed ten people with a disability through our partnership with Employers Making a Difference (EMAD). We are also a signatory to the Corporate Leaders for Indigenous Employment Project with the former Department for Employment, Training, Workplace Relations and Small Business (DEWRSB).

## The facts

Westpac Australia, year to 30 September 2002 unless otherwise stated.



As part of this agreement, we have committed to increase the number of Aboriginal and Torres Strait Islander people employed by Westpac and retain them in permanent positions.

**Training, learning and development**

We know that learning is a key component in achieving our mission to be the clear service leader in our industry by 2005. That is why we are currently expanding the way in which we provide training, learning and development to increase the expertise, skills set and knowledge base of our staff.

In 2002, a group of staff from across Westpac met to explore the changing needs of learning across the bank. This acknowledged the move away from traditional classroom learning toward a more interactive teacher/trainer model with increased levels of personal involvement and online interactive usage.

As a result, a new learning framework known as the Westpac Academy has been launched. The Academy capitalises on the particular learning preferences of each individual to ensure our staff are actively engaged in developing their potential. The Westpac Academy will not simply buy in a range of new courses for staff to attend, but will also work with tertiary institutions to have programs externally recognised.

In 2003, staff will be better able to pursue their learning needs remotely as the Academy's progressive, interactive multimedia network will facilitate distance learning.

Every employee is encouraged to complete a questionnaire to determine their individual learning preferences. Subsequently three streams – Customer Experience, Leadership and eLearning – will be rolled out to staff. During 2003, more than 11,000 staff will participate in the Customer Experience initiative, with more staff becoming involved in 2004. We will also be rolling out a stepped leadership development framework for our people leaders across the organisation, including providing access to eLearning capabilities from desktops.

We also continue to support our staff to take the initiative to increase their expertise through external qualifications, such as the Wealth Management Diploma. During the reporting period, approximately 697 employees took part in courses external to their current job requirements at a cost to Westpac of \$1.7 million.

**Performance evaluation**

Our People Management Framework supports our strategic intent of building a high performance culture and is critical to ensuring that all staff understand their roles, responsibilities and individual objectives.

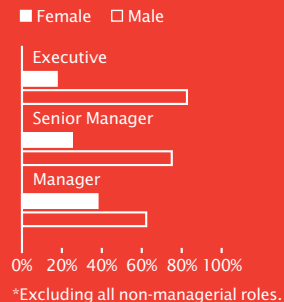
Our employment performance processes and practices are based on merit and employee appraisal systems are developed around a balanced scorecard. We seek to evaluate employee performance on their contribution to developing long-term shareholder value in meeting the needs of our customers and other stakeholders. This includes our senior managers having specific objectives relating to corporate responsibility and employee commitment.

**Male/female salary comparisons**

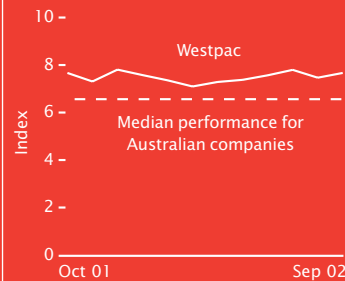
Management level	Average salary (\$)	
	Male	Female
Executive	323,640	321,688
Management	89,120	75,363
Non-management	37,645	34,896

Westpac pays equal pay for equal work. Differences in the average salary for male and female employees reflect the higher proportion of males in more senior roles within these grades.

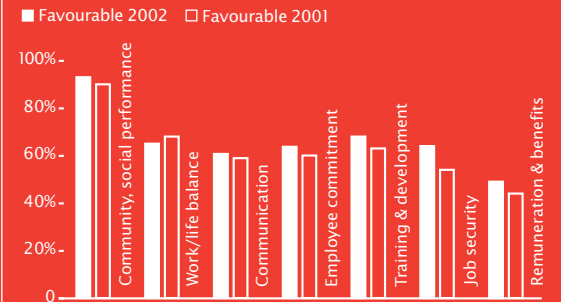
**Women in management\***



**Employee morale**



**Employee satisfaction**



Performance review and development planning occurs twice a year and involves a review of individual behaviours and achievements against targets. This process identifies individual strengths and weaknesses, and builds desired capabilities into development plans. All staff have the opportunity to discuss with their manager their professional and personal needs and to utilise a range of development tools at any time throughout the year.

### Remuneration fostering sustainability

Our remuneration philosophy is to provide base pay plus performance-linked rewards and other benefits that will attract and retain key staff and align their financial interests with those of stakeholders. We have implemented into our management processes at the executive level a Value Management Framework, using a balanced scorecard linked not only to financial objectives, but also delivering for staff, customers and the broader community.

@ Full details of our executive remuneration policies are published on pages 51 - 53 of the 2002 Concise Annual Report.

### Graduate recruitment

In the 2002 graduate intake we received 2,677 applications for 74 positions. For the 2003 graduate intake, we received 7,159 applications for 56 positions. We believe this reflects the steps we have taken to ensure that Westpac is seen as an employer of choice, both by our employees and in the wider marketplace.

### Employee turnover

One key to being an employer of choice is creating conditions where our employees feel fully engaged in our business and successful in their jobs and careers. This is essential if we are to build long-term relationships with our employees. Since our 2001 Social Impact Report, we have made a small improvement in our employee turnover, reducing it from 19.5% to 18.5%. While this is broadly in line with industry experience, we aim to do much better in increasing employee retention.

We have recently introduced a standardised exit interview process across the bank to better understand the contributing factors to employee turnover. We also remain committed to maximising redeployment where restructuring results in redundancy, as it ensures organisational knowledge and skills are retained wherever practical. In circumstances where redeployment is neither successful nor feasible Westpac's Redundancy and Redeployment Agreement provides entitlements to staff facing the loss of employment through retrenchment.

### Non-work aspects of career management

We are committed to ensuring that our employees maintain a healthy balance between work and family responsibilities. That is why we have put in place specific policies designed to assist employees manage their family and work responsibilities.

Such policies include:

- paid maternity, paternity and adoption leave;

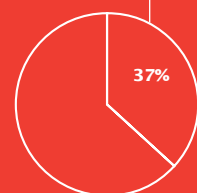
## The facts

Westpac Australia, year to 30 September 2002 unless otherwise stated.

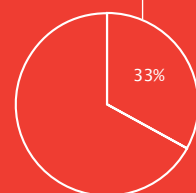
### Staff doing any overtime

non-packaged staff

2002 % working overtime



2001 % working overtime\*



\*Full year percentage. 2001 report covered the period from May to Sept 2001 only.

### Staff workloads

Customers per service staff

Service location	Per service staff			
	Customers per week		Customers per hour	
	2002	2001	2002	2001
Metro	108	136	2.8	4.1
Regional	121	137	3.2	3.6
Call centres	1,020	1,022	26.8	26.9

### Accumulated annual leave

	2002		2001	
	No.	%	No.	%
<4 weeks	12,885	64	14,638	61
>4 & <8 weeks	5,476	27	7,737	32
>8 weeks	1,721	9	1,744	7
Total	20,082	100	24,119	100

- a process of mutual negotiation of work hours for part-time staff or job-share arrangements; and
- our Better Life and Work information service which assists staff in locating resources such as home help and health services.

In line with our commitment to better work/life solutions, we signed an agreement with ABC Learning Group in 2002 to provide an estimated 1,000 new places for the children of our employees at up to 30 centres located around the country. We also provide our employees with a tax effective option for paying childcare fees out of their salary through the Westpac Childcare Benefit.

**Occupational health and safety (OHS)**

Within the reporting period, we have reduced our lost time injury frequency rate from 11.9 to 11.5 injuries per one million hours worked, a reduction of approximately 3%.

Our OHS management system was developed in consultation with employee representatives from all levels of the organisation and is routinely reviewed to ensure relevance and the proper allocation of resources.

Key components of Westpac’s OHS strategy include:

- making Westpac a great place to work by minimising workplace injuries;
- implementing an internal OHS audit system to improve our performance; and
- maintaining self-insurance licences nationally for worker’s compensation.

In 2003, we are seeking further improvements and staff feedback on our OHS processes as part of our regular review process.

**Objectives**

- Undertake a voluntary diversity census to better understand the ethnicity and disability of our workforce.
- Better align the age, gender and diversity of our workforce to the broader Australian community.
- Support a high performance culture for our staff through the launch of the Westpac Academy.
- Establish corporate responsibility performance objectives within business units.

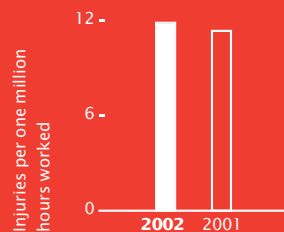
**Aspiration targets**

- Increase employee commitment by at least 5% by September 2003.
- Recruit up to 900 mature age staff by 2005.
- Decrease employee turnover by 5% by September 2003.
- Reduce Lost Time Injury Frequency Rate by 5% in September 2003.

**Extent of overtime worked**

Staff group	2002 %	2001 %
Employees doing overtime	8.5	11.8
All employees	1.1	1.4

**Lost time injury rate**



“We are committed to ensuring that our employees maintain a healthy balance between work and family responsibilities.”

## Case study: Appreciating diversity

We are committed to ensuring that our workforce demographics reflect the diversity of our customer base and the Australian population and have developed a number of interlacing policies and programs that support this endeavour.

We have a full time Diversity Manager in place and have introduced 'workforce planning' into our Business Strategy Review (BSR) process to ensure that staff and customer diversity are aligned as far as possible. As a result of this, gender and age issues have become a focus for many business units within the bank.

Our recruitment advertisements specifically include the following wording – "Westpac Banking Corporation is an equal opportunity and an EOWA employer of choice for women. We invite applications from mature age candidates, people with disabilities and indigenous Australians".

Our drive toward workplace diversity was a key factor in Westpac winning the 2001 Prime Minister's Employer of the Year Awards, NSW Large Business. Employers Making A Difference (EMAD) supported Westpac's nomination.

### **Mature age workers**

We have recently enhanced our efforts to employ mature age workers. Our intention is to tap this valuable employee source and to better meet the needs of mature-aged customers, many of whom prefer to discuss their financial affairs with people with similar life experience. We are therefore planning to recruit up to 900 mature aged staff over three years, including financial planners and advisers.

### **Working mums**

In 2002, working mums were the focus of a large recruitment drive. This initiative was aimed at better accommodating the needs of our customers by capitalising on the life skills, knowledge and experience that working mums have. Our policy of boosting the number of women in customer service roles gained support from the Australian Council of Trade Unions (ACTU).

More broadly, we continue to increase the proportion of women in management and non-traditional roles for women within the bank. We are also continuing to build a workplace that is conducive to balancing work and family responsibilities with access to up to 30 new quality childcare facilities and through comprehensive parental leave packages.

### **Employees with disabilities**

In the three months to 30 September 2002, we placed 10 people with disabilities Australia-wide. These placements were made through our 'Employers Making a Difference' partnership, undertaken through TMP Worldwide.

We are also participating in the Willing and Able Mentoring Program (WAM), piloted in Victoria by Deakin University and the University of Melbourne. WAM matches tertiary students who have a disability with mentors from leading organisations, with a view to offering these students corporate connections, information on work culture and better skills in presenting a professional profile.

### **Indigenous Australians**

The majority of our indigenous programs are focused on providing more accessible customer service for indigenous Australians, in addition to specialist support for financial literacy and small business programs. We also continue to work through the Corporate Leaders for indigenous Employment Project to increase the number of indigenous Australians recruited and retained across the Westpac organisation.

Under our Indigenous Issues Working Group, we continue to investigate options for providing a more strategic approach to recruitment and trainee opportunities for indigenous Australians.

### **Promoting diversity**

In 2002, our advertising included a campaign that sought to represent all aspects of Australia's diverse community, including people from the many ethnic backgrounds that make up the Australian cultural landscape, as well as people with disabilities.



"We need more businesses in Australia to take a leadership role in demonstrating that people with a disability are important to their business, both as employees and as customers."

Suzanne Colbert, Chief Executive Officer, Employers Making a Difference (EMAD).

### Westpac's achievements for disability diversity

- Top level commitment to ensuring people with a disability have the same access to employment opportunities, services and products as all other Australians.
- A national diversity manager who oversees the successful integration of people with a disability across the organisation and reports on progress.
- Support for recruitment suppliers to better understand the business benefits of employing people with a disability through 'Opening the Door' training, to give them the skills they need to confidently recruit candidates with a disability.
- Training hiring managers in disability issues to ensure that they understand the skills and attributes that people with a disability can bring to the workplace.
- Assistance for Employers Making a Difference to put the employment of people with a disability firmly on the business agenda.

Source: EMAD nomination of Westpac for the Prime Minister's Employer of the Year Awards March 2002.

### Utilisation of Westpac child care centres

Child care centre	No of families		No of Children	
	2002	2001	2002	2001
Kids on Bond (Sydney CBD)	19	33	23	38
Kids @ Kent (Sydney CBD)	34	-	44	-
Little Gantry (Concord West)	92	-	108	-
Bank of Melbourne (South Melbourne)	59	49	71	62
Science Park (Bedford Park, SA)	29	-	37	-
<b>Total</b>	<b>233</b>	<b>82</b>	<b>283</b>	<b>100</b>

### Number of employees accessing paid parental leave

Year	Number
1999	1,146
2000	1,101
2001	1,026
<b>2002</b>	<b>1,050</b>



"Westpac showed courage in moving to triple bottom line reporting. Their report allows us to assess progress."

Louise Sylvan  
CEO, Australian Consumers'  
Association (ACA)

"I'VE LEARNED NEVER TO TAKE ANYTHING FOR GRANTED AND I THINK WESTPAC AND OTHER SMART COMPANIES ARE LEARNING THAT ALSO. SITUATIONS CHANGE AND THE ONUS IS ON THE BIG BOYS TO MAKE SURE THEY NEVER LOSE SIGHT OF THE LITTLE GUY."

JOHN NICOLL



## *A view from a customer*

Good old service is undervalued these days and those who truly deliver on it will reap the rewards. No one minds paying for service and quality.

My views about banks and service have been formed over many years with experience from both sides of the fence and I guess I'm in a position to make a few useful comments on what makes a successful long-term customer relationship. You see, like it or not, I've never been too far from my bank.

I was even born a 'Wales' kid. My father was employed by the then Bank of New South Wales all his working life and passed away while working as the accountant at the Bathurst branch in 1959. As often happens, I too joined 'The Wales' in 1960 before moving on after six years into the real estate profession. During my formative years, being able to work for one of the top five companies in Australia provided great training and experience which has given me a tremendous advantage in my own business.

I've also learnt to value customer loyalty, something that is often lost in this fast paced world. So it's no surprise that our company, Nicoll & Ireland First National Real Estate, based in Bathurst, has been a client of Westpac for an uninterrupted 31 years – something I am always ready to remind them about.

I've learned never to take anything for granted and I think Westpac and other smart companies are learning that also. Situations change and the onus is on the big boys to make sure they never lose sight of the little guy.

We've all seen many changes over recent years at our local branch and in the banking system more generally. I believe that while they aimed to deliver better customer services, some naive and even wrong decisions have been made particularly in relation to maintaining branch access in rural towns and the way many new fees and charges seemed to just hit us.

To a great extent the relationship we once had with our local manager has been lost. It was always good to be able to make an appointment to see your local manager who had the power to make a quick decision. Today, we have to work through our Business Banking Centre based in another town as our conduit to the bank. So I'm looking for this to provide a greater level of industry expertise and support without totally losing the local touch.

The advent of electronic banking has helped and has been a great benefit to how we conduct the financial side of our business on a day to day basis. But everyone needs to recognise that with 'high tech' we must also have 'high touch' or you get some disillusionment with customers who find it difficult to make the change.

In our business we've always found it beneficial to test innovative change with our clients, who really know what they want, rather than simply resort to the advice and recommendations of consultants. In most cases, consultants lack empathy and understanding of the customer impacts.

That's why it is encouraging to know that Westpac is bravely embarking on a vigorous 'Ask Once' campaign and I hope that this will be coupled with 'We're Listening'. But recent Australian corporate history is littered with large companies promising a lot only to leave their customers with poorer services and sometimes grappling with rapid changes in technology. I know they have to cope with the profit demands from their shareholders, but we expect and need Westpac to come through on the 'Ask Once' promise.

Good old service is undervalued these days and those who truly deliver on it will reap the rewards. No one minds paying for service and quality.

**John Nicoll, customer – Bathurst.**

# Customers

## Customer Service Mission

Our Customer Service Mission is to be No. 1 for service in our industry by September 2005. It's a big challenge because it means no less than revolutionising the customer experience. This means we need to:

- know and respect our customers;
- understand our customers' needs and offer our best solutions;
- consistently deliver what we promise;
- build great relationships with our customers, business partners and community; and
- act honestly and comply with regulations.

## Customer Charter performance

Our Personal Customer Charter sets out the promises we give to our customers so they can better assess our behaviour and practices. We have committed to reporting our performance against the Charter each year and our first report is set out below.

### 1. To maintain our record as a socially responsible and ethical corporate citizen

We have introduced a number of initiatives to help ensure we remain accessible, affordable and responsible to our customers.

In 2002, we continued to provide social safety net banking accounts for pensioners, the disabled and welfare recipients, which provide six free withdrawals each month and no service fee. We have extended the eligibility requirements to also allow customers aged 55 and over and the retired access to a Deeming Statement account.

We also make it easier for customers with a disability to transact in our branches by charging a reduced fee on excess staff assisted withdrawals. This benefit applies to our Basic, Deeming Statement and Classic transaction accounts.

We have appointed a Head of Responsible Lending to work with our business units around responsible lending initiatives. For example, customers who take out loans for the purpose of debt consolidation will now receive a detailed pack from Westpac containing information on how to stay out of debt. This includes advice on how to manage credit responsibly, including information on how to contact a financial counsellor if problems arise.

### 2. To train our staff to give the best service they can

Training, learning and development of our staff are critical in achieving our customer service mission. We need to do more than just equip our staff with the right computers and work environment. We need to better develop their abilities, skills and knowledge, and their understanding of how to best meet customers' needs.

We have recently significantly enhanced training with the launch of the Westpac Academy. For more information please refer to page 17 of this report.

### 3. To be upfront and clear about fees, charges and commissions

We aim to be completely transparent about our fees and charges and to help customers better manage their accounts. Each new account holder is provided with a booklet setting out the fees and charges attached to each account, as well as tips for minimising fees. Comprehensive information is readily available at our branches and on our website.

## The facts

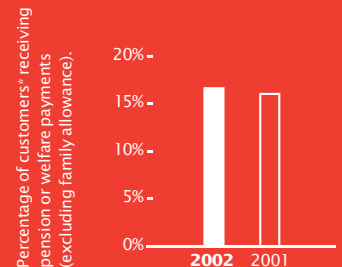
Westpac Australia, year to 30 September 2002 unless otherwise stated.

### Points of access

Service points of access	No.	
	2002	2001
Branches	820	806
ATMs	1,552	1,517
EFTPOS	75,724	59,000
Mobile lenders	600	600
Internet customers	1,448,000	1,140,000
Other specialist banking centres	211 <sup>^</sup>	225 <sup>^</sup>

<sup>^</sup> Includes business/commercial and agribusiness centres, international, financial planning centres and private banks.

### Low income access



\*Transaction and savings accounts customers.

### Affordability of transactional services

Pension status	Average fees paid as a % of pension			
	Basic account		Deeming account	
	2002	2001	2002	2001
Single	0.09	0.10	0.08	0.11
Couple	0.05	0.06	0.05	0.07

As a measure of affordability for low income and vulnerable customers, we have used the average excess fees paid for Basic and Deeming accounts as a percentage of the annual Aged Pension in that year.

We've also introduced transaction fee summaries on statements so customers can see at a glance how often they use individual banking services and how much they cost. In 2002 we also introduced a new brochure for customers called 'Five Easy Ways to Manage Your Cash Flow', providing tips and advice to better manage cash flow.

@ More information on smarter and cheaper banking is available at: [www.westpac.com.au/internet/publish.nsf/Content/PBTS+Get+more+value+from+your+banking](http://www.westpac.com.au/internet/publish.nsf/Content/PBTS+Get+more+value+from+your+banking)

**4. To provide honest and helpful financial advice for your benefit**

Through new initiatives such as the Westpac Academy, we aim to provide our staff with the ability to be the best in their profession and to anticipate our customers' needs. We have also focused on the makeup of our workforce by initiating the recruitment of additional mature aged staff with essential life skills, experience and know-how in managing financial affairs.

These initiatives are overlaid with the introduction of new Financial Services Reform (FSR) legislation, which is designed to promote transparency across the industry in the provision of financial advice. To ensure we are fully compliant by March 2004, we are reviewing all documentation currently supplied to customers to ensure the information is accessible and easy to understand. In addition, all customer service staff are undergoing training to refresh them in their obligations and responsibilities.

We have also developed a 'Financial First Steps' workshop, to help our staff think about how they manage their money. This workshop, available from February 2003, focuses

on real life case studies to provide staff with a solid understanding of how to avoid poor money management decisions and behaviours.

**5. We will look for and offer easier or cheaper ways to do your banking, should they be available**

We remain committed to providing our customers with cheaper, more convenient ways to manage their financial affairs. Our approach is to offer banking reviews that cover transactional, mortgage and investment accounts to ensure our customers are provided with the best product to suit their needs. This includes a full review of all fees and charges applicable to the customers' accounts.

In 2002, we also introduced Westpac One to respond to the everyday hassles customers experience in trying to manage different transaction and savings accounts. Westpac One provides up to six different accounts in one account package, with all information consolidated on the one statement. This allows customers to set different savings targets and to monitor them. Graphs compare savings activity over time and we provide tips on how to reach savings goals sooner and account balances are combined before we calculate interest for customers.

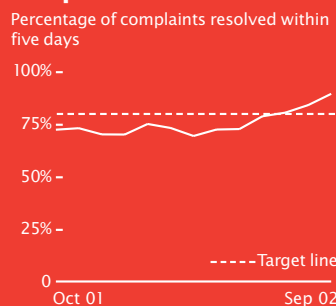
We have also expanded the services available through our Internet Banking. Customers can now more easily access their accounts through their mobile phone, receive and pay bills online, transfer larger amounts securely over the Internet and purchase personal products such as motor vehicle insurance, travellers' cheques and foreign cash.

**Credit over commitment**

Proportion of accounts overdue ≥90 days

Product	Sept 02	Sept 01
Mortgages	0.23%	0.27%
Cards	0.42%	0.40%

**Complaints resolution rates**



**Complaint types**

	2002* %	2001^ %
Commercial & business	6	7
Information & advice	16	16
Fees, charges & interest rates	17	14
Process & procedure	34	35
Staff service quality	27	28

^ 2001 figures from October 2001 – March 2002

\* 2002 figures from October 2001 to September 2002

**Australian Banking Industry Ombudsman (ABIO) dispute resolution**

	2002 %	2001 %
Resolved with customer	85	84
ABIO investigation but resolved with customer	13	14
Required an ABIO determination	2	2

**6. To let you know at least three months before we change your local branch location**

We recognise that the bank branch is still vitally important in both the hearts and minds of our customers and we expanded our overall branch network by 14 new locations in 2002. Within the year there were six branch relocations which were notified to customers through prior signage within the branches, but three months' prior notice was not provided, something we will be addressing in 2003.

**7. In rural communities where we provide branches but not ATMs, branch transaction fees will be charged at the lower ATM rate**

In the 142 rural and regional communities where we have a branch but don't have an ATM, branch transaction fees are charged at the lower ATM rate. This is part of our commitment to meeting the needs of rural and regional customers, and ensuring our services are affordable and accessible. For more information on our approach to Regional Banking, please refer to page 30 of this report.

**8. To keep our freecall number (1800 800 388) operating all day, every day**

The 1800 800 388 freecall number is our dedicated complaints hotline and we handle approximately 2,000 calls per month on this number, while our regular inquiries telephone number handles around 25,000 calls a day. Our 1800 800 388 freecall number operates through four service centres to ensure minimum queue time and access to knowledgeable staff.

**9. To respond to you within 24 hours if you have a concern or complaint with any of our services – our aim is to fix all complaints within five working days**

The way in which we handle customer complaints is an integral aspect of our 'Ask Once' mission – for one call, one contact and one solution. Between 70-80 per cent of our customer complaints are resolved within five days. We believe this can be improved and are seeking to dramatically improve our responsiveness, particularly in acknowledging complaints within 24 hours.

As such, we have revamped our customer relations unit with an emphasis on improving skills and productivity. We have also set up a unit to ensure the effective resolution of disputes referred to us through the Australian Banking Industry Ombudsman (ABIO).

We now hold quarterly meetings of our independent Customer Committee, which is chaired by Dr Simon Longstaff from the St James Ethics Centre, which assists in reviewing the effectiveness of our complaints handling. As we progress, we will embed the international quality standard ISO 9000 in our approach, and measure our success against global best practice standards.

**10. We never sell or publicly divulge any of your personal or company details without your consent unless required by law**

Following the release of new Privacy legislation in Australia in 2001, we comprehensively reviewed our privacy policies and practices to ensure that our customers were fully protected. We subsequently re-released our Privacy Policy in 2002. This policy will be reviewed every two years to ensure it remains applicable.

Training on privacy is mandatory for all staff and the completion of accreditation is electronically monitored. We will also be updating our staff training and accreditation process in 2003, which will incorporate our experiences in implementing compliance with the privacy legislation.

@ Our Privacy Policy is available at all branches and on our Internet site at: [www.westpac.com.au/internet/publish.nsf/Content/WIPP+Westpac+Privacy+Policy](http://www.westpac.com.au/internet/publish.nsf/Content/WIPP+Westpac+Privacy+Policy)

@ Our Personal Customer Charter is also available in full on our website at: [www.westpac.com.au/internet/publish.nsf/Content/WISPPP+Personal+customer+charter](http://www.westpac.com.au/internet/publish.nsf/Content/WISPPP+Personal+customer+charter)

**Consumer lending with a high social benefit**

We continue to work with stakeholders on relevant definitions. However we believe the provision of housing through home mortgage lending, which totalled \$65 billion as at 30 September 2002, typically delivers social benefits for the community.

**Accessibility and availability of banking services**

We have put in place a number of initiatives to improve the accessibility and availability of our banking services. At the end of the reporting period we had over 115 sites open on Thursday nights and Saturday mornings to better tailor our opening hours around our customers' needs and that number continues to grow. Recently we were successful in getting Saturday opening restrictions removed in NSW and in May 2003 announced Saturday openings in 14 sites in that state.

In 2003, we will add to our extended hours by opening earlier on pension day in a number of key branches. This will reduce waiting times for customers looking to collect their pension and will help to ease pressure on our staff as the traffic flow evens out.

We recently asked our customers to describe to us their ideal Westpac branch and are launching nine prototype branches based on their input. These new prototype branches will vary in opening hours from 9am through to 6pm, depending on market needs.

To improve branch traffic flow and show customers better, easier and potentially cheaper ways of banking we have now moved additional branch staff out from behind counters to the front of the house. We are also providing specialist business queues and express queues, like in a supermarket.

Importantly, we are reinstating the power of the branch manager, treating them more like a franchise owner, providing greater authority and enhanced business skills. To further enhance access to our branch services, we are making it easier for customers to have their routine loan and investment needs met on the spot.

### **Improving accessibility for people with disabilities**

As part of our Disability Discrimination Action Plan (DDA), registered with the Human Rights and Equal Opportunity Commission in 2001, we continue to improve physical access in our branches for customers with a disability.

This year, for example refurbishments were undertaken at:

- NSW – Forster, Hurstville, Castle Hill and Wagga Wagga;
- VIC – Gisborne;
- QLD – Yeppoon and Kingaroy;
- WA – Northam;
- TAS – Kingston.

Planning is well under way at many other branches. Our aim is to have all branches conform to standards outlined in our Disability Discrimination Action Plan (DDA).

### **Small and medium sized business banking**

#### *Business relationship approach*

We recognise that, at various stages in the life of a business, customers face different risks and have very different needs. We take the important first step in identifying where the business sits in its industry and life cycle as part of our disciplined approach to targeting banking solutions and conducting risk analysis, customer assessment and credit approval.

Based on this industry approach, we have developed comprehensive financial solutions for wholesale, pharmacy, independent schools and manufacturing industries. We have also developed a dairy package that is designed to proactively address the impact of dairy deregulation on our customers.

We also ensure transfer of industry knowledge so that relationship management changes impact less on customers.

#### *Business lending policies*

Within business banking, we manage a continuum of risk including transaction, credit and environmental risks. Larger and more complex transactions, including those with high social or environmental benefit or risk, undergo detailed analysis of customer or facility risk on a transaction basis. For more routine transactions we rely heavily on automated risk scoring techniques based on sound market and statistical analysis. We also insist on a separation of the credit approval process from line management and we normally require at least two credit officers to review and approve a transaction.

#### *Assisting business customers*

We have developed a series of innovative 'Beyond Survival' business workshops to help small business owners acquire critical financial management skills, and not just when starting out. Since 1998, more than 4,000 participants have benefited. We have also developed important value-added services like our Business Activity Statement (BAS) product ezyBAS, which helps our customers capture the information they need to complete their BAS tax statement.

We have also invested in a business succession advisory group, which provides a unique service for family-owned businesses in developing an appropriate succession plan and also finding suitable investors should the owners wish to retire. We have also partnered with a legal firm to provide access to estate planning. And we have developed an online credit checking facility, which enables a business owner to quickly vet a prospective client before extending credit.

#### *Business lending with a high social benefit*

Currently, 25% of our total business lending in Australia directly supports small and medium businesses (SMEs), promoting economic activity and job growth at a micro level and delivering many social benefits to the community. Much of the lending supports community capacity building, including business opportunities for women.

#### *Women in business*

Westpac is a leading provider of financial services to women through our Women in Business Unit, providing financial education, role models, specialist advice and networking opportunities.

Our Women's Investment Advisory Service is a new addition, with a team of financial advisers specialising in investment planning, education and risk management for women. We have also established a Women's Advisory Board to ensure that needs of women are identified and met by the bank such as through our Women in Business Package and sponsorships.

@ More information on our Women in Business services is available at: [www.westpac.com.au](http://www.westpac.com.au) on the 'Business Banking' page and under the 'Business Information' tab.

## Institutional banking

### *Institutional banking lending policy*

Our institutional lending criteria include detailed analysis of customer, industry, country and facility risk. We take into account the quality of management, including perceptions of their integrity and ethics, in all lending or investment decisions.

We scrutinise funding requests for potential conflicts of interest, including requests from parties related to a director of the bank or political parties. We also apply additional approval thresholds for sensitive transactions such as tax driven schemes or hostile takeovers.

@ For more information on Westpac Institutional Bank, please visit our website at: [www.westpac.com.au/internet/publish.nsf/Content/CB+HomePage](http://www.westpac.com.au/internet/publish.nsf/Content/CB+HomePage)

### *Institutional lending with a high social benefit*

Following our first Social Impact Report, we have undertaken further stakeholder consultation and also worked with Monash Sustainability Enterprises (MSE) to refine our definition of 'high social benefit'. In total, institutional lending with a high social benefit in 2002 was approximately \$2.4 billion. Largely as a result of the refinement in definitions and calculation methodology, this is a reduction from our figure of \$3.9 billion reported in 2001.

## Third World debt

Westpac does not have physical or direct banking operations in Third World countries outside of the Pacific islands. As a result, we do not have any material involvement in third world debt nor do we deal in it as a commodity.

## Socially Responsible Investment (SRI)

Our funds management business, BT Financial Group, offers a range of SRI products using varying screening approaches to meet investor requirements. The expertise of two independent research organisations is used to assess the social and environmental performance of companies:

- Monash Sustainability Enterprises (MSE) evaluates each company's strategy, management, operations and products as well as stakeholder engagement. MSE's rating criteria are also derived from international standards such as ISO14000 and environmental shareholder value models developed by the World Business Council for Sustainable Development.

## The facts

Westpac Australia, year to 30 September 2002 unless otherwise stated.

### Business lending profile

Sector	% of business lending	Sector	% of business lending
Transport	2	Retail	14
Travel & tourism	8	Wholesale	5
Forestry & agriculture	11	Chemical, minerals & machinery	<1
Finance	8	Professional services	1
Housing, education & leisure	6	Real Estate	28
Construction	3	Other	14
		<b>Total</b>	<b>100</b>

### Country profile\* of institutional banking activities

% of total	Country income classification			
	low	low-middle	middle-upper	high
Customers				
<b>2002</b>	<b>0.76</b>	<b>0.76</b>	<b>1.02</b>	<b>97.46</b>
2001^	0.21	0.07	0.21	99.51
Exposures				
<b>2002</b>	<b>0.50</b>	<b>0.47</b>	<b>0.44</b>	<b>98.59</b>
2001^	0.14	0.04	0.13	99.70

\* World Bank classification

^2001 figures corrected to reflect on the balance sheet figures only.

- The Sustainable Investment Research Institute (SIRIS) use both publicly available information, as well as information sourced directly from the top 300 companies, on environment, human rights, corporate governance and regulatory compliance, workplace practices and product quality and management.

As Australia's SRI market grows we will monitor our product range to ensure it continues to meet the needs of our clients and this market growth may lead to further product development.

@ More information on our SRI product range and approach to screening is available at: [www.westpac.com.au/internet/publish.nsf/Content/CBIV+Managed+investments](http://www.westpac.com.au/internet/publish.nsf/Content/CBIV+Managed+investments)

### Governance Advisory Service

The Governance Advisory Service (GAS), within our wealth management business, is an overlay research and advisory service offered to institutional investors wanting to address potential exposure to corporate, social and environmental governance risk in their portfolio. GAS undertakes research and dialogue on audit governance, disclosure of environmental risk management, workplace health and safety risk management, human rights and the supply chain and the use of electronic gaming machines. As at September 2002, GAS advised on over \$3 billion of Australian equities investments.

### Insurance

We offer a wide selection of general insurance products, providing protection for consumer and small business customers. We underwrite home, contents, landlords, consumer credit and lenders mortgage insurance, and act as an agent for motor vehicle, travel and business insurance and housing deposit guarantees. In 2002, the Westpac General Insurance business met approximately 33,000 customer insurance claims.

#### Objectives

- Expand branch opening hours, including Saturday trading, at high traffic times and locations.
- Upgrade access for people with disabilities at branches to agreed standards.
- Enhance industry-specialised solutions for small and medium sized businesses.
- Review and update the personal customer charter.

#### Aspiration target

- Increase customer satisfaction by at least 5% by September 2003.

#### Institutional lending with a high social benefit (HSB)

	2002	2001*
Total HSB	\$2.4bn	\$3.8bn
As % of total exposures	15%	23%

\*Figures as corrected.

#### Asset management with high social benefit (HSB)

	2002	2001
Assets under management	\$35,392m	\$22,441m
Superannuation funds (ex-SRI funds)	\$15,617m	\$11,172m
SRI	\$232m	\$84m
% of total with HSB	44%	50%

#### Insurance product profile

	2002 %	2001 %
Life, injury & income insurance	35	32
Lending insurance	34	37
Home & contents	31	31

#### Insurance complaints

	2002
General insurance	
Number of claims	32,969
Number of complaints	265
% of complaints	0.8%
Life and risk insurance	
Number of policies	335,757
Number of complaints	1,749
% of complaints	0.5%

## Case study: Services to rural and regional Australia

Our commitment in providing financial services to rural and regional Australia spans more than 185 years. We believe our approach is unique, in that we work to encompass the financial, business, personal and community needs of regional Australians. This includes banking and financial services for enterprises both small and large, regardless of whether customers are technology enabled or prefer to conduct their banking face-to-face.

Our regional banking services are organised around six key components:

- Regional Financial Centres;
- Country Business Direct;
- Agribusiness units;
- Mobile specialist managers;
- Branches; and
- In-store branch-community partnerships.

Important changes and improvements have been made to our In-store services, after listening to feedback provided by both customers and proprietors – customers are now able to complete almost any transaction at their In-store. We have acted on our customers' requests to allow for bank cheque issuance, change of address details, access to account balances and transaction history, establishment or variation of periodical payments and 'stop payment' on cheques. With these new services, our 162 regional In-stores are now completing about half a million transactions each month.

Recently, we established a National Agribusiness Council to create a greater understanding of the agribusiness market within Westpac. The council includes representatives from Regional Management, Economics, Marketing, Product and Credit teams all working together to meet the specific needs of our agribusiness customers.

We have developed new agribusiness banking packages and tailored services to better meet the needs of our agribusiness customers. We aim to increase our number of business and agribusiness specialists by ten per cent through the first half of 2003. We also have a dedicated home finance sales force focused on the needs of regional Australians.

We have also introduced a quarterly Regional Economic Report which includes the Westpac Regional Index of Consumer Sentiment, created to gauge consumer confidence in regional Australia. It also examines agricultural and mineral commodities, the building industry and the retail sector.

Recently we appointed a Head of Regional Community Partnerships to provide strategic coordination of our relationships and activities in regional Australia, as well as initiatives we have underway with indigenous communities.

We were the first Australian bank to announce a special drought relief package to assist our customers affected by drought. This package, together with our bushfire and other disaster relief packages, includes special provisions for home loans, business loans, credit cards, personal loans and for customers looking to break fixed term deposits. We also took an active role in the Farmhand Concert and Drought Relief Appeal, by accepting donations online and over-the-counter at all our branches. Together, the Farmhand Appeal raised over \$21 million and distributed grants to some 15,000 farming families across Australia.

We have also adapted the highly successful 'Beyond Survival' business seminars for our regional customers. In 2002, we teamed with the Combined Rural Traders in South Australia and the Central Murray Area Consultative Committee in Rochester, Victoria, to explore ways that Westpac and the Beyond Survival program could assist farmers and small businesses affected by drought. We will continue to deliver business and financial education, including the introduction of an agribusiness component focusing on issues relevant to farming businesses.

We continue to enhance our online banking and financial services and currently provide services to some 600,000 rural and regional customers through telephone banking and 230,000 customers through Internet banking.

We recognise the importance of providing careers for young people in regional Australia, and have developed a graduate recruitment program to place university graduates into financial services roles within regional Australia. Since being introduced in 2002, our regional banking graduate program has placed five graduates into regional banking roles. Another three graduates have been recruited into the program to commence in early 2003, and three more will be recruited into our agribusiness team in 2004.

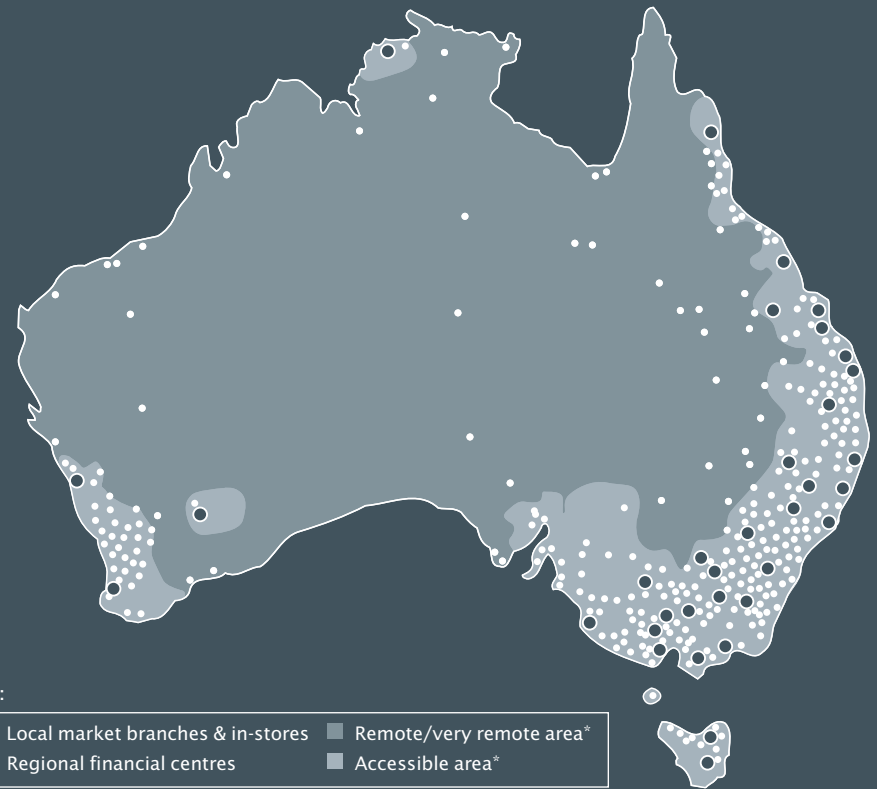
@ Our annual Regional Banking Report is available on our website at: [www.westpac.com.au/internet/publish.nsf/Content/WI+HomePage](http://www.westpac.com.au/internet/publish.nsf/Content/WI+HomePage)

@ For more information on our Regional Banking products and services, please go to: [www.westpac.com.au/internet/publish.nsf/Content/BBBIAG+Agribusiness](http://www.westpac.com.au/internet/publish.nsf/Content/BBBIAG+Agribusiness)





## Regional services



KEY:

- |                                     |                            |
|-------------------------------------|----------------------------|
| ● Local market branches & in-stores | ■ Remote/very remote area* |
| ○ Regional financial centres        | ■ Accessible area*         |

\*Source: -Accessibility/Remoteness Index of Australia (ARIA)

### Going the extra mile

We service over one million customers in regional Australia, including over 100,000 business and agribusiness customers.

- This includes over 400,000 Internet Banking and 700,000 Telephone Banking subscribers.
- We have 378 points of representation in regional areas, with 216 branches and 162 Westpac In-stores.
- We have over \$22 billion in loans committed to regional Australia – with around \$10 billion on deposit from people and businesses in regional Australia.

We have 650 branch and specialist managers working across regional Australia, covering business, agribusiness banking, financial planning and investment advice, home finance, personal finance and banking transactions services.



**“Part of dealing with the divides in society is genuine engagement and understanding. Westpac's report allows us to see their policies and practices.”**

**Andrew McCallum**  
President, Australian Council of Social Service (ACOSS)

*Our society has left many Australians without the traditional social and economic networks which connect and support people. On any given night, more than 100,000\* Australians are homeless.*

*\*Source: Homelessness: what Australia says, Mission Australia, June 2002.*

## A view from the street

In an attempt to capture the reality of the disadvantaged in our community, we have chosen to include this poem. It was handed to us at the Baptist Inner City Mission in Sydney on a 'seeing is believing' visit hosted by Pilotlight Australia. The poem was written by Greg, one of the regulars receiving support from the Mission.



### *Shatterings of Reality*

*Welcome to my nightmare  
Sit back and read how it is for me  
Loneliness surrounds me  
In fact it does conceal me  
From what to others is termed reality  
My nights are somewhat bewildered  
Yet not so incompletely  
For I sometimes do see  
What is not there...*

*Is there anybody out there  
Who can logically explain  
These mystified visions  
That I have seen  
I laugh and joke around a lot  
But inside myself I do cry*

*Greg*

# Community

## Building social capital

Every Australian company has a responsibility to the communities from which they profit. We believe this starts with ensuring our financial validity and maximising value for shareholders. It is only by embracing our broader stakeholder responsibilities that our economic and social goals can be brought into alignment and managed to improve our corporate and longer term societal outcomes.

Like other aspects of our business, we monitor and measure the value of our community impacts closely. Using the London Benchmarking Group Model, we have developed a strong strategic focus by categorising our direct community involvement into community investment, charitable gifts, eco-projects, in-kind assistance, including social subsidies and commercial sponsorships. It also allows us to better assess the impact of our community involvement, in terms of its contribution to building social capital.

We are also working with community organisations to increase the efficiency and effectiveness of their programs in capacity building. We have asked our key community partners and suppliers to discuss with us their approach to corporate governance and responsibility so we can promote the building of policies and practices across social, environmental and economic dimensions. In total, we increased our community contributions in Australia in 2002 to \$30 million, from \$27 million in 2001.

@ Further information can be found at:  
[www.westpac.com.au/internet/publish.nsf/content/W1+Westpac+In+The+Community](http://www.westpac.com.au/internet/publish.nsf/content/W1+Westpac+In+The+Community)

## Enhancing financial literacy

We understand that financial and business skills are essential in any modern community, and initiatives which build important numeracy and money skills in the community are good for our business. Several years ago we commissioned Macquarie Graduate School of Management (MGSM) in Sydney to develop a program for CEOs of community organisations who do not come from a financial background. Each year our (MGSM) program provides financial training for about 20 organisation leaders. We have also funded Onsite Analysis workshops for individual community organisations to assist them with reviews of their business practices, service provision and fundraising. A total of 45 community organisation representatives participated in the latest round of Onsite Analysis workshops held in March 2002.

We also continue to support other programs including the Australian Maths Competition and Young Achievement Australia (YAA). Nearly half a million students took part in last year's Australian Maths Competition and another 15,000 young Australians set up and ran a real business through the Young Achievement Australia program. These community-based programs sit alongside several business and personal customer programs including our 'Beyond Survival' and 'Let's Talk' programs.

## Staff volunteering and fund raising

Around 70 per cent of our people are involved in their local communities as volunteers. We support their efforts by providing them with paid leave and flexible working arrangements as a small way of helping them with the community work they do.

## The facts

Westpac Australia, year to 30 September 2002 unless otherwise stated.

### Community contributions as a percentage of pre-tax profits

	2002 %	2001 %
Total excluding commercial sponsorships	1.2	1.1
Total community involvement	1.4	1.5

### Community contributions

Area of involvement	\$m	
	2002	2001
Charitable gifts	1.6	1.3
Community investment	19.8	15.1
Eco projects	0.3	0.3
In-kind	1.7	2.1
Management costs	1.3	1.0
Commercial sponsorships	5.5	7.1
<b>Total</b>	<b>30.2</b>	<b>26.9</b>

### Community involvement

Area of involvement	2002	2001
	%	%
Charitable gifts	5	5
Community investment	66	56
Eco projects	1	1
In-kind	6	8
Management costs	4	4
Commercial sponsorships	18	26
<b>Total</b>	<b>100</b>	<b>100</b>

In August 2002, more than 9,000 Westpac staff across Australia were involved in a new initiative called EPIC (Employees Participating in Communities). Fifty-five Community Champions were nominated to coordinate fundraising, volunteering and staff awareness activities in support of one or more community organisations important to them.

Our staff have traditionally played an active role in their local communities, and we are proud to support their activities through our Matching Gifts Program. When a staff member chooses to make a donation to a tax-deductible charity of their choice, we match their generosity dollar for dollar. Since the program started in December 1998, a total of \$5.2 million has been donated to more than 600 Australian charities.

Each year our Chief Executive Officer acknowledges and rewards the volunteering efforts of Westpac staff through our Community Volunteering Awards. The outstanding contributions of our staff are rewarded with financial support for the community organisations that they assist.

**No Interest Loans**

We are involved in the No Interest Loans Scheme (NILS) in Tasmania. The NILS provides interest-free loans to people who can't afford to buy personal or household goods. The loans are between \$300 and \$1,000 and provide a much-needed boost for people on low incomes. NILS was launched by the Tasmanian government and Anglicare and is administered by the NILS Network of Tasmania. Aurora Energy, a government-owned electricity company, underwrites a Business Options Overdraft provided by Westpac.

**Indigenous partnerships**

Our Indigenous assistance program revolves around a range of initiatives to address the educational, financial and employment disadvantage of indigenous Australians and to better address their specific banking and financial needs. Our internal Westpac Indigenous Working Group oversees the various initiatives and activities and the Head of Regional Community Partnerships coordinates the various indigenous initiatives and other regional business-based community partnership initiatives.

*Cape York Indigenous Partnership*

We have committed to work with Indigenous communities in Cape York through the Indigenous Enterprise Partnership to help develop financial literacy and increased self-sufficiency. Through this scheme, we have committed to sending 150 staff over three years to the Cape to work in the communities for a four-week period. As at September 2002, 48 one-month secondments had been completed. Our staff are using their skills in support of the Family Income Management Scheme and the Balkanu Cape York Development Corporation-Business Hubs strategy.

*Traditional Credit Union*

In late 2002, we offered to help develop a five-year strategic business plan for the Traditional Credit Union (TCU), which would cover ways to extend services in a sustainable manner to other Indigenous communities in regional Australia. The TCU was established in 1994 to provide culturally appropriate financial services to Indigenous people living in remote communities in the Northern Territory, particularly those disadvantaged by a lack of existing services.

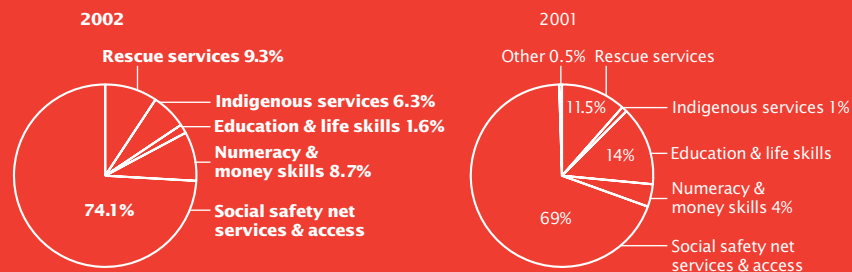


Our Cape York initiatives are developing financial literacy and increasing self-sufficiency.



In August 2002 more than 9,000 staff across Australia were involved in community initiatives.

**Breakdown of community investment**



## Community

As part of the project, we are assisting the TCU to grow in a sustainable manner, including better risk management. In 2003, we aim to spend time with the TCU to develop a clearer understanding of their emerging needs for improved financial literacy in the community and are drafting a Community Education Plan for their feedback.

### *Tangentyere Council*

We are involved in a pilot program with the Tangentyere Council, Centrelink, the Department of Family and Community Services (FaCS), and the Aboriginal and Torres Strait Islander Commission (ATSIC) to provide Indigenous communities with increased access to banking and financial services. This involves providing access through our third party banking agency, including receipt of weekly electronic social security payments and the installation of an ATM which is trialing the dispensing of \$5 notes rather than higher denomination notes.

This year, we intend to work further with the council to improve access to, and understanding of, banking and financial services throughout Alice Springs and surrounding communities. We also maintain branches in Nhulunbuy, Katherine, Tennant Creek, Jabiru and Alice Springs that service the community residents. In addition to Tangentyere, banking agency arrangements have been set up for Indigenous people at Mbantua. ATM facilities have also been installed at the Tangentyere Council and trained staff are employed specifically to assist the indigenous community.

### *Talkin' Money Business*

In May 2002, Westpac co-chaired a workshop organised by Reconciliation Australia on improving banking and financial services for indigenous Australians, called "Talkin' Money Business". Through this initiative, we were privileged to be part of a cooperative process between government, indigenous organisations and commercial banks, which identified directions and constructive proposals for improving access to financial services for indigenous Australians. From this workshop, we have made a number of key commitments, which include investigating the potential to roll out a program like our Cape York initiative in other indigenous communities and looking at developing better resource funds management for indigenous organisations.



### **Objectives**

- Maintain total community contributions above accepted best practice levels of 1% of pre-tax profits.
- To improve financial literacy and employment opportunities for indigenous Australians.
- To continue to be rated as a leader in corporate responsibility.

### **Aspiration target**

- Increase employee support for community involvement to 90% (currently 87% as measured in the annual Staff Perspectives Survey).



## Case study: Making hay while the sun shines

When branch staff in Narrogin, WA were first asked to make a straight cash donation toward a new recreation centre, they said no. But our local staff weren't shutting the door. They saw a real opportunity to bring clients, farmers, local businesses and the whole community together to do something special.

What emerged was the Challenge Community Crop – an innovative rural project put together by the staff of Challenge Bank Narrogin to raise around \$50,000 for the Narrogin Regional Recreation Centre. Their idea was to band together to grow a field of hay for export, as a way to raise the funds.

Their idea was to draw on their existing business contacts and clients throughout the district, form a small but highly motivated group and to get the Challenge Community Crop underway.

Local Agribusiness Manager Geoff Geary took charge of coordinating the project, while the local Mayor, Sally Higgins, donated 150 acres of her farmland on the outskirts of Narrogin as the crop site. Local farmers were asked to donate their time and labour toward the project while local companies chipped in by providing seed and fertiliser.

Apart from initiating and coordinating the venture, our staff have volunteered their time and resources at every stage. They've been rock picking, weed chipping, hay bailing and running the finances.

The organising group decided to plant an oaten hay crop for export purposes, as it had become one of WA's most commercially viable agricultural commodities. A smaller barley crop was also planted in partnership with the Narrogin Agricultural college. Donated seed and fertiliser were passed on to the College and proceeds from the crop sale would go toward the recreation centre.

Local farmers, seed producers and agronomists then began organising the first stage of sowing the crop and the first fertiliser was spread in April last year. Following some light rainfall, the crop was planted in May in the hope that the dry season was breaking.

As it turned out, around 50% of the average rainfall fell in the growing season. Enough for the crop and enough to give local branch staff valuable insight into the conditions their farming customers faced in their region.

Cutting of the crop began in October. With bailing completed it was all hands on deck to get the hay crop into the shed. Three days of hard work with many helpers along the way and the job was done.

The Challenge Community Crop is now sold and we are awaiting details of weight, quality and therefore price. The local experts predict returns of up to \$50,000.

The small barley crop grown in partnership with the Narrogin Agriculture College has also been harvested and sold, with the proceeds banked into the community recreation centre appeal fund.

The Challenge Community Crop has been a great success for the local community and has provided a real life example of corporate responsibility, community involvement and sustainability at its best. And the benefits are contributing to the bottom line for everyone. The community believes that it is now well on the way to building the best regional community sport and recreation facility in the southern hemisphere!

Not surprisingly, our staff are seeing renewed growth in their business with many new accounts. As they say, healthy banks need healthy communities. And it's through local projects such as these that we are often most able to contribute positively to community capacity building. By matching our skills and expertise with old-fashioned hard work and a healthy sense of responsibility, we strengthen our relationship with customers, clients, business partners and the local community.

At this early stage there is even better news. It looks as if the Challenge Community Crop will continue annually with Narrogin Agriculture College offering to continue its support.



**"To build trust, we need clear evidence of credible sustainable development strategies. Westpac's report is a positive step toward managing their environmental footprint."**

**David Butcher**  
CEO, World Wide Fund for Nature Australia (WWF)

*"I would want banks and other corporates to implement the practices that can create wealth whilst still honouring and contributing to the well being of all these environments. It simply takes an adjustment in the way you think, and to know there is enough for all."*

*Niamh*



## A view from an environmentalist

We live beyond our means on this planet, in so many ways. We have started to realise, however, that change does happen slowly. For me, the key to change is to work with the concept of ‘what is enough’.

To look at, sit with, plan around, what is ‘enough’, that honours all aspects and ensures that we do not increase one aspect at the expense of others.

From the outside in, it feels that corporate profits are claimed at the expense of other things, whether that be the environment, employees and employment, or social health and wellbeing of a community.

Banks are a pivotal centre of the corporate world. So... this is what I would like banks to do. I would like banks to accept that we do live beyond our means. And to start changing that by developing a different perspective. To know that it is possible to change, to live within our means and still have ‘enough’.

I would like them to know they can be profitable and still honour the environment. And in coming from a space of what is enough they will contribute enough to ALL environments AND their shareholders’ portfolios. From this point of view, banks could do many things as a way of becoming an ‘enough’ corporate citizen.

Banks use resources on a huge scale – electricity, paper, computers, cabling. I would like a bank to be committed to lateral thinking right at the top, so as to make a change that starts a new world best practice, in reducing, reusing, recycling the things they consume awesome amounts of. Like a courageous and committed hotel chain found a way to design and engineer a 5 star hotel to save incredible amounts of water and, thus, introduced a new benchmark, world best practice.

I want banks to stick with how they can do the 3Rs.

I hate the number and regularity of insurance and credit offers I get in the mail from banks. And to think they send these to such large numbers of people – what a gross waste of all sorts of resources – paper, labour, electricity.

I want banks to embrace the many opportunities, mechanisms and new technologies that really make a difference in consumption of things like electricity.

I want banks to use their profits to reinvest, for example into an area of rebuilding the environment – or research and development of new technologies that will make a difference in reducing consumption. To choose an area, play a role, set an example, and give back, rebuild.

Wealth creation in our society at present is often based on greed and fear – that is wealth is created at the expense of something or someone else (environment, communities, social health).

I want banks and other corporates to implement the practices that can create wealth while still honouring and contributing to the wellbeing of all these environments. It simply takes an adjustment in the way you think, know there is enough for all, start asking what is their enough, and then developing strategies from that point.

**Maryanne Cantwell, environmentalist – Newcastle.**

# Environment

## Environmental policy

Our environmental policy was initiated in the early 1990s and our approach covers policy review and development, energy and resource management, independent environmental auditing, environmental credit risk assessment and the provision of environmentally sound investment products.

Our Environmental Management System (EMS) is based on ISO14001, and is the foundation of how we manage our impact on the environment. It includes specific environmental objectives and targets against which we monitor our performance and which are reviewed on a regular basis.

We were one of the inaugural signatories to the United Nations Environment Program's Statement by Financial Institutions on the Environment and Sustainable Development, and are signatories to the Global Compact and the Australian Federal Government Greenhouse Challenge program.

@ Details on our policy commitment to the environment are available on our web site at: <http://www.westpac.com.au/internet/publish.nsf/Content/WISPSAEN+Environmental+Policy>

## Environmental governance

Our Board Social Responsibility Committee reviews our environmental performance and approves policy as set by management. Overall responsibility for our environmental

policies and performance, including our Environmental Management System, rests with the Chief Executive. In turn, our Environmental Coordinator is responsible for ensuring that environmental policy development, stakeholder engagement and group-wide implementation are managed effectively.

Central to the management of ongoing operational issues is the Environmental Advisory Group. This group includes representatives from key areas of our organisation and meets on a quarterly basis to ensure that environmental considerations, consistent with policy, are incorporated into all aspects of our products, services and company operations.

## Greenhouse gas emissions

We also report annually on our environmental performance as part of the Australian Greenhouse Challenge.

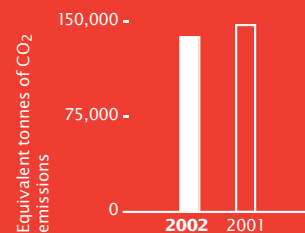
Our total greenhouse gas emissions for the year to 30 September 2002 were 138,000 tonnes of CO<sub>2</sub> emissions. This represents a reduction of 9,500 CO<sub>2</sub> equivalent tonnes, or 6%, from our 2001 report, exceeding our 5% reduction target. Since we first joined the Greenhouse Challenge in 1996, we have achieved an overall reduction of around 61,550 tonnes. We are aiming to reduce our emissions by a further 5% in the next reporting period.

@ Copies of our progress reports are available at: [www.greenhouse.gov.au](http://www.greenhouse.gov.au)

## The facts

Westpac Australia, year to 30 September 2002 unless otherwise stated.

### Total greenhouse gas emissions



### Emissions source

Emissions source	Equivalent tonnes of CO <sub>2</sub> emissions	
	2002	2001
Energy	119,200	126,500
Car fleet	6,400	4,200
Paper	12,400	16,700
<b>Total</b>	<b>138,000</b>	<b>147,400</b>

### Eco performance ratios

Emissions ratios	Equivalent tonnes of CO <sub>2</sub> emissions	
	2002	2001
CO <sub>2</sub> /person	7.4	6.7
CO <sub>2</sub> /m <sup>2</sup>	0.2	0.2
CO <sub>2</sub> paper/person	0.7	0.8
CO <sub>2</sub> car fleet/vehicle	6.3	5.4

### Audits and reporting

Audits of our sites are conducted annually to ensure they comply with OHS and environmental legislation.

Following our 2002 Greenhouse Challenge Progress Report, we conducted a full review and strengthened the data gathering systems and processes we have in place to monitor our environmental impact. This followed on from recommendations made in the environmental verification of our 2001 Social Impact Report.

This year, we are reporting on our water usage for the first time. We have also signed an agreement with Sydney Water to join the ‘Every Drop Counts’ program and will be reviewing our current water management systems, in order to reduce our current water waste levels.

### Stakeholder dialogue

We participate in a range of advisory committees in the areas of credit and risk assessment, socially responsible investing, and environmental management and reporting. These commitments mean we actively pursue stakeholder dialogue on environmental issues.

In the asset management area, investors are increasingly demanding higher levels of transparency. Where required, we report to institutional investors on our proxy voting behaviour. We actively participate in industry debate on environmental issues,

through bodies such as the Investment & Financial Services Association (IFSA). We also meet with environmental lobby groups around specific issues to discuss our approach in institutional lending.

### Environmental credit risk assessment

#### Business banking

Our approach in screening lending proposals from small and medium size businesses is to use industry classification codes to assess environmental risk. Where there are indications of high environmental risk, either in any security offered or the industry sector, we require further external environmental assessment and evidence of responsible and adequate management of environmental issues by the borrower before approving the loan.

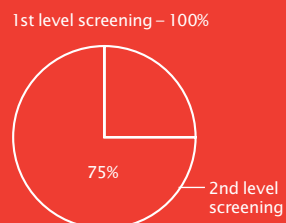
#### Institutional banking

Within institutional banking, we assess environmental risk at the individual corporation or institutional level. Transactions with perceived environmental risks are subject to an initial environmental screening to determine whether that potential risk will impact the customer’s capacity in meeting their financial obligations.

Our environmental risk assessment may include:

- Levels of environmental awareness and adequacy of policies and practices;
- Compliance with all regulatory requirements;
- Management and financial capacity;

#### Environmental screening of institutional lending



#### Lending with high environmental benefit (HEB)

(on balance sheet lending)

	Total lending \$bn	HEB \$bn	% of total
Business banking	25.2	0.14	0.6
Institutional banking	16.3	1.41	8.6

‘Since we first joined the Greenhouse Challenge in 1996, we have achieved an overall reduction of around 61,550 tonnes of CO<sub>2</sub> emissions.’

- External advice and site inspections where relevant; and
- Whether the activities are so hazardous they are likely to cause harm, regardless of efforts to mitigate the risk.

### Lending with a high environmental benefit

In 2002, to better understand what factors would constitute 'high environmental benefit' we undertook a stakeholder consultation program with key environmental representatives on ways to support and promote high environmental benefit through our lending activities. This dialogue included representatives from government, environmental non-government organisations and businesses developing green products and services.

Key outcomes included recognition of the need to incorporate industry, geographical and best of sector overlays into our assessment processes. There was also a strong desire to support better environmental management in the wider business community. We have sought to incorporate their observations into our approach for this reporting period and will be including their commentary into global consultation processes in 2003.

In 2002, some \$1.6 billion of our total lending was determined to have a high environmental benefit. This included lending related to:

- the manufacture of recyclable products to reduce waste;
- the supply of greenhouse friendly energy, including from co-generation and alternative energy sources; and

- recreational parks and botanical gardens, which preserve the environment.

We are also currently participating in the VFU Indicators 2003 Project, aimed at updating the VFU internal environmental indicators originally developed in 1996. VFU stands for Verein für Umweltmanagement in Banken, Sparkassen und Versicherungen, or Association for Environmental Management in Banks, Savings Banks and Insurance Companies.

### Assets under green management

As discussed on pages 28 and 29 of this report, we offer a broad range of ethical and socially responsible investments and services through our combined BT Financial Group. In the last year, SRI funds under management grew by 176% from \$84 million to \$232 million. These investment products utilise a range of different methodologies, including 'Best of Sector', and positive and negative screening approaches.

Our best of sector investment approach, as applied for stock selection in both the Westpac Sustainability Share Fund and the Westpac Australian Eco Share Fund, favours companies that are assessed to operate in a more socially and environmentally responsible manner than their peers. This screening is based on ratings independently applied by Monash Sustainability Enterprises (MSE) in assessing a company's performance against world's best practice environmental benchmarks, covering environmental management strategy; day-to-day environmental management processes and systems; implementation of best practice environmental techniques and technologies; as well as how it responds to stakeholder concerns.

## The facts

Westpac Australia, year to 30 September 2002 unless otherwise stated.

### Energy usage

	Unit	Number	
		2002	2001
Energy – electricity	MWh	112,300	118,700
MWh/person	MWh	6.0	5.4
Energy – gas	GJ	34,800	34,400

### Paper usage

	Unit	Number	
		2002	2001
Paper consumption	tonnes	5,500	7,000
Paper consumption	t/person	0.29	0.32
Recycled paper	tonnes	1,100	1,000
Copying paper	sheets/person	12,000	11,400

The Westpac International Sustainability Fund also offers an indexed approach to SRI portfolio construction for international shares using the ratings from the Dow Jones Sustainability Index.

Sagitta-Rothschild's Ethical Investments use a combination of positive and negative screening provided by the Sustainable Investment Research Institute (SIRIS). SIRIS use both publicly available information as well as information sourced directly from the Top 300 listed companies. This excludes companies that have committed significant or recurrent environmental offences within the last three years, or who have been successfully prosecuted and were required to provide remedies for such offences within the last year. It also excludes companies directly involved with the extraction of uranium, the manufacture of weapons, the logging of native forests and any breaches in human rights, anti-discrimination or equal-opportunity legislation within the last three years.

This approach also promotes companies who manage their operations to minimise their environmental impact and promote environmental benefit. This includes renewable energy, sustainable agribusiness, ecotourism, information technology and products with reduced resource usage.

### Energy trading

We have actively participated in the development of Australia's national electricity market since its inception in the early 1990s. In March 2002, we significantly expanded our Energy Trading Group through the hiring of a team of Energy Trading Specialists to complement our existing Energy Trading and Risk Management capability.

Currently Westpac is uniquely positioned as the only Australian bank actively involved in the trading of Renewable Energy Certificates (RECs). Our involvement sends important pricing signals to the market that encourage the development of renewable energy sources. In addition we are able to assist our customers manage the price risk associated with their exposure to the REC market. An example of the innovative products offered to customers involves pre-purchasing RECs from new renewable generation projects. This assists project developers finance the high upfront capital costs associated with initial construction.

We continue to actively seek out opportunities in other new environmental and emissions trading markets, such as the NSW Greenhouse Gas Abatement Scheme.

### Objectives

- Implement water savings initiatives through the Sydney Water 'Every Drop Counts' program.
- Coordinate a staff communications campaign to encourage our employees to 'think before they print' and reduce overall paper consumption.
- Continue to implement energy saving projects across our network to reduce greenhouse gas emissions resulting from energy consumption.

### Aspiration target

- Reduce our total greenhouse gas emissions by a further 5% by September 2003.

'Currently Westpac is uniquely positioned as the only Australian bank actively involved in the trading of Renewable Energy Certificates (RECs).'

### Car fleet usage\*

	Unit	Number	
		2002	2001
Fuel consumption – LPG	kl	1,000	28
Fuel consumption	kl/vehicle	3.1	0.2
Fuel consumption – petrol	kl	1,600	1,850
Fuel consumption	kl/vehicle	2.3	2.6
Km travelled	km	15,545,000 <sup>^</sup>	34,461,000

\* In April 2001, Westpac began switching its car fleet over to liquid petroleum gas (LPG).

<sup>^</sup> figure reduced owing to sale of AGC car fleet.

### Water usage<sup>^†</sup>

	Unit	2002
Water consumption	kilolitres	263,000
Building area	m <sup>2</sup>	254,700
Water/sqm	kl/m <sup>2</sup>	1.0

<sup>^</sup> not included in CO<sub>2</sub> emissions calculations.

<sup>†</sup> Building area subject to measurement comprises 46% of total space.



"Companies - and here I mean Boards, Chief Executives and managers - have their various priorities of which we are, too often, only dimly aware. Boards are so often a 'closed shop', with changes screened so as to preserve the status quo."

Michael Waterhouse.

## *A view from a shareholder*

### Having been an investor in shares for 40+ years, I've seen the highs and the lows of the market – too many of the latter for comfort!

Along the way I've learnt a few things, most importantly that you can never know enough to make decisions that have a reasonable chance of being the right ones. Share prices reflect the interests and priorities of many different parties, with individual shareholders well down the list in terms of influence.

Companies – and here I mean boards, Chief Executives and managers – have their various priorities of which we are, too often, only dimly aware. Boards are so often a 'closed shop', with changes screened so as to preserve the status quo.

The list of company failures (and near-failures) suggests shareholders have not been well served by their 'elected representatives' in recent years. As well, the relevance and accuracy of reports are at times open to question.

However transparent a company's performance is, the share price remains subject to what might generously be described as 'mood swings'. Stockbroking analysts generate voluminous reports, but in my experience they are often better at explaining news after the event than in accurately predicting the best companies in which to invest my money. And can we be sure that their recommendations are not compromised by investment banking relationships or that they have different stories for different clients as in the USA?

The media publishes reports of these (and other) reports, but at times displays an alarming lack of knowledge or insight. The quick grab reigns supreme.

The attention span of some financial journalists is matched only by that of fund managers and superannuation funds, whose horizon rarely seems to extend beyond the next performance rankings. Somehow the standard warning that past performance should not be taken to indicate future performance falls as seed by the wayside.

And the growing importance of hedge funds is another source of volatility. Their approach to investing at times seems more at home on Saturday afternoon at Randwick or Flemington.

All this leaves the individual investor at the bottom of the heap. And this despite the fact that there are now more of us than ever before.

If we are to elevate our influence (and isn't this a key goal of better corporate governance?), we need to consider some fresh approaches:

Do we have the best 'fit' of directors and companies, boards with the right mix of skills and experience? Are there sufficient non-executive directors? Should directors be limited to a fixed term, to encourage board renewal? More and younger 'ideas' people? More women? And a limit on how many directorships they can hold?

Perhaps boards should be required to justify explicitly (in terms of specific performance criteria) contracts that provide for substantial option issues and/or termination payments, as well as issues or payments made under those contracts?

Directors might be required to explain annually to shareholders actions they have taken to strengthen transparency and accountability. (Perhaps we should let the market rather than the regulators work out the answers!)

Funds managers should be required to disclose annually to owners of the funds they manage the extent to which their remuneration packages reflect short and long term performance.

Similarly, stockbrokers should account annually to their clients for the performance of their analysts. All reports to clients should also note any relationship the broker has with the company concerned.

Such actions can only help strengthen transparency and accountability, and allow a better balance between short and long-term performance.

Small steps perhaps, but they would give individual investors greater confidence that they too have a place in the sun.

**Michael Waterhouse, investor – Sydney.**

# Financial

## Financial performance

The Westpac Group profit of \$2,192 million for the year ended 30 September 2002 was our tenth consecutive annual improvement in profit performance. It was up 15% over the prior year's profit. Our shareholders again benefited from this result. Earnings per share were up 15%, with a return on equity of 21.7%. The full year dividend of 70 cents, fully franked, represented a 13% increase over the previous year and a dividend payout ratio of 59.2%. The result also benefited from \$181 million of individually significant items. Excluding these individually significant items, the Group profit was up 8%.

The sale of AGC and the acquisition of Rothschild Australia Asset Management Limited, key parts of the Australian and New Zealand operations of the BT Financial Group and a 51% stake in Hastings Funds Management Limited impacted our efficiency (final completion of acquisition of BT Financial Group and Hastings Funds Management Limited was after balance date). On a reported basis the expense to income ratio was up slightly to 53.6% from 51.5% in 2001 due principally to the change in business misc and \$86 million in integration expenses related to the wealth management acquisitions.

As at 30 September 2002, our Tier 1 ratio was 6.5% and at the top end of our capital ratio target range of 6.0 to 6.5%.

## Asset quality

Despite the continued turmoil in world financial markets our asset quality improved in the year. We maintain a high quality loan portfolio with 78% of our exposure to either investment grade companies or in secured consumer mortgages.

Some 94% of our exposure is in our core markets of Australia, New Zealand and the near Pacific. The proportion of stressed loans (comprising impaired and watchlist loans) declined 0.5% to just 1.2% of total lending commitments. Our net impaired assets to equity and general provisions ratio also improved significantly, falling to 3.5% from 5.4%.

## Independence of financial auditors

Our external auditors conduct their audit in accordance with Australian and US Generally Accepted Auditing Standards.

The Board Audit and Compliance Committee monitors the relationship with and reviews and assesses the independence of the external auditors. Our external auditors provide, at least annually, a statement covering relationships between them and the bank, which may reasonably be thought to bear on their independence. For the past year, our external auditors also positively assured the Board Audit and Compliance Committee and the Board that they have complied with the Independence of Australian Company Auditors (Ramsay) Report recommendations.

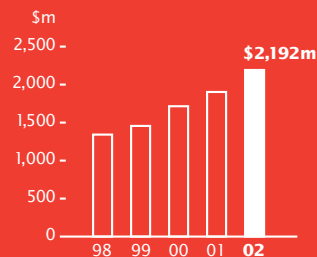
The Board has a specific policy not to use the auditors for non-audit work if their independence would be impaired or could be seen to be impaired. From our next financial year we will require rotation of the signing and review audit partners on a staggered basis at least every five years.

## The facts

Westpac Group, year to 30 September 2002 unless otherwise stated.

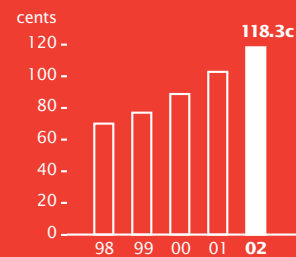
### Profit

Operating profit after tax and before abnormals, attributable to shareholders.



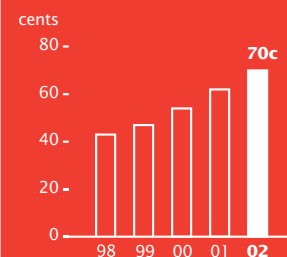
### Earnings

Earnings per share, before abnormals.



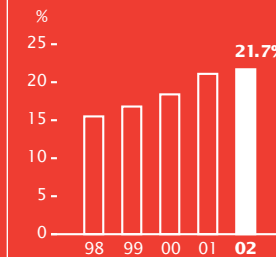
### Dividends

Dividends per ordinary share.



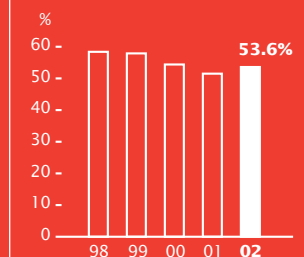
### Return

Return on average ordinary equity, before abnormals.



### Efficiency

Expense to income ratio, before amortisation of goodwill.





## Financial controls and accounting standards

Our Board Audit and Compliance Committee oversees all matters concerning internal control, accounting policies and financial reporting, including our interim and final financial statements.

Our financial reporting complies with Australian Accounting Standards and other mandatory professional reporting requirements. These requirements have been applied in a manner prescribed for an authorised deposit-taking institution under the Banking Act 1959 (as amended) and in accordance with the requirements of the Corporations Act.

The preparation of the financial statements is done in accordance with generally accepted accounting principles that require management to sometimes make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Where relevant our financial statements also comply with disclosure required by the US Securities and Exchange Commission.

## Risk management

The Board of Directors is responsible for approving and reviewing Westpac's risk management strategy and policy including setting risk tolerances. It delegates day-to-day management responsibility to the Chief Executive Officer and is supported by various sub-committees to monitor risk management performance and controls.

@ Full details of our financial performance and governance practice can be found in the Annual Report and at [www.westpac.com.au/investorcentre](http://www.westpac.com.au/investorcentre)

## Value generation (\$ million)

	\$m	
	2002	2001
Gross value add		
Net interest income	4,285	4,200
Commissions and services net income	1,706	1,605
Trading operations net income	223	274
Life insurance and fund management net income	330	524
Other income	719	134
<b>Net operating income</b>	<b>7,263</b>	<b>6,737</b>
Suppliers and non-salary input costs	-2,076	-1,771
<b>Gross value add</b>	<b>5,187</b>	<b>4,966</b>

## Value distribution (\$ million)

	\$m	
	2002	2001
Dividends, outside equity interest & equity distributions	1,319	1,162
Retained profit	878	746
Taxes	610	826
Salaries and bonuses	1,516	1,379
Social charge	30	27
Depreciation & write off	834	826
<b>Total</b>	<b>5,187</b>	<b>4,966</b>

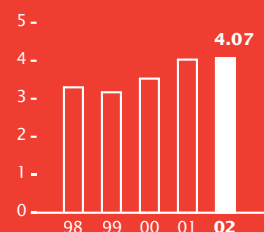
### Share price to net tangible assets

per share as at 30 September

	1998	1999	2000	2001	2002
Share price \$	9.28	9.45	12.75	13.29	<b>13.85</b>
Net tangible assets \$	3.59	3.71	3.96	4.28	<b>4.56</b>
Ratio	2.58	2.55	3.22	3.11	<b>3.04</b>

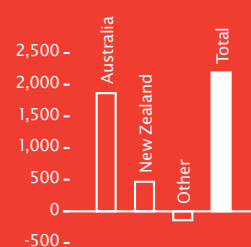
### Staff productivity

Net operating income/salaries & other staff expenses less restructuring expenses.



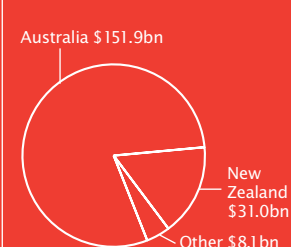
### Profit by region

\$ million



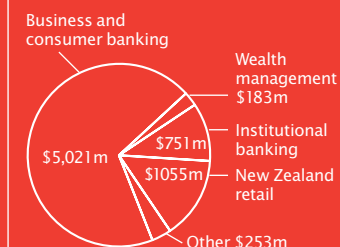
### Assets by region

\$ billion



### Operating income by key business unit

\$ million



# Verification statements

## Social verification statement

To Westpac stakeholders,

I, Richard Boele of the Australian Institute of Corporate Citizenship conducted the verification from May 5-13, 2003 of the following sections in Westpac's 2003 Social Impact Report:

- Corporate responsibility and our business;
- Employees;
- Customers; and
- Community.

I alone take responsibility for the conclusion and opinion presented in this statement.

The purpose of this verification is to provide Westpac Stakeholders a level of assurance that the data and claims in the report are a fair and accurate reflection of the reported areas.

The verification method applied to the investigation of the claims and data contained in this Social Impact Report involved a combination of following evidentiary trails and, where appropriate, interviews with those responsible for originating and collating the information.

During the verification:

- A two-person audit team verified 205 claims and 30 charts during a total of 145 hours;
- 24 interviews were conducted at a range of levels within the organisation and extensive documentation was examined;
- No external stakeholders were interviewed.

Where data was verified, the assumptions made in producing the data were tested to ensure completeness. The audit team had unrestricted access to all personnel and material requested.

All identified inaccuracies were corrected and where qualifications were required they appear in the report. I have suggested opportunities to improve the information collection process for future reporting.

Accordingly, it is possible to offer my opinion that a high level of assurance can be provided on the accuracy of all the charts in the above-cited sections. A high level of assurance can also be provided for all claims with the exception of those within a very small number of low priority sections, which were not investigated. A risk ranking of each headed section in the report established priorities for verification.

The report is not assured against the AA1000S Assurance Standard, however it was used as general guidance.

I declare myself and colleague, Deanna Kemp independent of Westpac and its stakeholders as described in the report. I am certified as a full member of the Institute of Social and Ethical AccountAbility (UK).



Richard Boele  
Australian Institute of Corporate Citizenship  
Sydney, Australia  
13 May, 2003.

## Environmental verification statement

GHD was commissioned by Westpac to independently validate the environmental data and statements made in the 2001-2002 Annual Report. The data and statements covered the period 1st October 2001 to 30th September 2002.

### Scope of Work

The scope of our assessment was to:

1. Validate that data presented for each environmental performance indicator was materially correct (based upon tracking a selection of data for each indicator);
2. Review completeness of data, consolidation and interpretation of data, reasonableness of assumptions and calculation methods;
3. Review supporting documentation to validate the major statements and claims made in the environmental section of the Report;
4. Identify any weaknesses in the data collection procedures or other environmental claims and make recommendations for improvements to Westpac;
5. Evaluate the implementation of environmental risk methodologies for assessing loans in the Institutional and Business banking areas;
6. Review the screening methodology for stock selection in Westpac's environmentally responsible investments; and
7. Conduct site inspections of a selection of Westpac commercial and branch buildings and conduct interviews with building management contractors to assess environmental practices.

The findings of the verification audit are summarised below.

### Verification of Environmental Claims

The environmental statements and claims made in the text of the report were verified as correct. The application of the environmental risk management procedures was satisfactory (for Institutional and Business banking) although a limited data set was reviewed.

GHD reviewed Westpac's procedures for collecting the environmental data and deriving environmental performance indicators. The procedures were generally acceptable and the assumptions made in deriving indicators were reasonable. However, the methodology was not documented in all cases.

Westpac has increased consultation with stakeholders who have environmental concerns, which may improve future transparency of environmental claims, data collection and evaluation.

### Data verification

The data, data presentation, calculations and assumptions were correct, based on information available for the reporting period. Full baseline data for all parameters was not available for the period and we have relied on information from third party suppliers.

Calculation methods, for example, greenhouse gas emissions, are valid and follow recognised methods.

There were a number of rounding and manual data entry errors noted in deriving the numerical performance indicators. The errors have been corrected in the final report. Methodologies for establishing the value of lending with a high environmental benefit have been developed, but still need to be formalised.

In the past, there have been insufficient checks of data from suppliers. Improvements have been made in data collection and reporting since October 2002, including internal audits of data, sign-off from third party suppliers, reporting data over consistent time periods, establishment of data collection methodologies, and defining responsibilities for data collection, collation and interpretation. Despite these efforts, further improvements are required to obtain reliable data from some suppliers, such as paper recyclers.

There is a considerable time lag in obtaining water use data for the year ending 30 September, due to quarterly and annual billing arrangements. Westpac is investigating how to expedite data collection. It is anticipated that water usage figures may increase significantly for the next reporting period, based on improved data collection techniques.

Westpac gave unrestricted access to all documentation requested for review and to personnel for interviews.

Based on our findings, the environmental statements made and environmental indicators shown in the Report, present a fair and reasonable view of Westpac's environmental performance over the past year.



Sue Trahair  
Senior Environmental Auditor, GHD  
Sydney, Australia  
June 2003.

## Financial audit statement

Independent audit report to the members of Westpac Banking Corporation

### Audit opinion

In our opinion the numeric data, set out on pages 46 and 47 of the Financial Section of the Westpac Social Impact Report for the year ended 30 September 2002, is consistent with the following information from which it has been extracted:

- the Group's (defined below) audited financial statements for the year ended 30 September 2002
- US Securities & Exchange Commission Form 20-F for the year ended 30 September 2002
- unaudited Australian Stock Exchange (ASX) announcements for the year ended 30 September 2002 and half-year ended 31 March 2003
- information contained in unaudited reports prepared by Westpac Banking Corporation management.

This opinion must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

### Scope and summary of our role

The numeric data in the Report – responsibility and content

The inclusion of the numeric data on pages 46 and 47 of the Financial Section of the Westpac Social Impact Report (the Report) for the financial year ended 30 September 2002 is the responsibility of, and has been approved by, the Directors of Westpac Banking Corporation. The Report covers the policies, practices and performance of Westpac Banking Corporation and the entities it controlled (the Group) during the financial year ended 30 September 2002.

### The auditor's role and work

We conducted an independent audit of the numeric data contained within pages 46 and 47 of the Report (the Numeric Data) in order to express an opinion on it to the members of Westpac Banking Corporation. Our role was to conduct an audit of the Numeric Data, in accordance with Australian Auditing Standards, to ensure the Numeric Data is consistent with the Group's audited financial statements for the year ended 30 September 2002, US Securities & Exchange Commission Form 20-F for the year ended 30 September 2002,

unaudited ASX announcements for the year ended 30 September 2002 and half-year ended 31 March 2003 and information contained in unaudited reports prepared by Westpac Banking Corporation management. We disclaim any assumption of responsibility for any reliance on this opinion, or on the Numeric Data to which it relates, to any person other than the directors, or for any purpose other than that for which it was prepared.

In conducting the audit we carried out procedures to assess whether, in all material respects, the Numeric Data presents a view which is consistent with our understanding of the Group's financial position, and its performance as represented by the results of its operations and cash flows. The audit procedures included:

- examining evidence to support amounts of the Numeric Data to the Group's audited financial statements for the year ended 30 September 2002, US Securities & Exchange Commission Form 20-F for the year ended 30 September 2002, unaudited ASX announcements for the year ended 30 September 2002 and half-year ended 31 March 2003 and unaudited reports prepared by Westpac Banking Corporation management
- evaluating the accounting policies applied and significant accounting estimates made by the directors in their preparation of the numeric data.

Our audit opinion was formed on the bases of these procedures.

PricewaterhouseCoopers

DH Armstrong  
Partner  
Sydney, Australia  
19 June 2003.

# Glossary

## Westpac terminology

**Business banking:** Westpac business unit serving small and medium sized enterprise (SME) customers.

**Concern reporting:** Westpac program for internally reporting issues of concern in regard to the behaviour of employees that is in conflict with our Code of Conduct or the law. Commonly referred to as 'whistle blowing'.

**Deeming account:** An Australian banking account that offers customers an easy way to deal with Australian Government (pensioner income) Deeming Rules. Such accounts are only available to individuals holding Pension Concession or Healthcare Cards.

**Diversity:** Acknowledgement and respect for a range and balance of people, ideas and practices.

**Environmental screening:** Considering a proposal or business against a series of environmental criteria based in law or good environmental management practices.

**Executive remuneration fostering sustainable development:** Incorporation of social and environmental performance objectives of the company into its executive remuneration practices.

**FTE:** Employment term used to express fulltime and part time staff on an equivalent fulltime basis.

**In-store branch:** A Westpac branch that is operated by an In-store business partner and physically located within their business. Provides personal and business customer banking services and access to mobile lending and investment specialists.

**Institutional banking:** Westpac business unit providing financial services to corporate and institutional customers.

**Lending with high environmental benefit:** Lending to customers or businesses where the outcome contributes to the management of environmental issues for the individual or the community.

**Lending with high social benefit:** Lending to customers or businesses where the outcome contributes to the standard of living for either the individual or the community.

**Social screening:** Considering a proposal or business against a series of social criteria based in law or management practices for employment, labour standards and human rights.

**Social safety net banking:** Fee-free banking accounts for low income and vulnerable customers.

**Work/life balance:** The ability for an employee to balance the demands of work and family responsibilities.

## Market terminology

**ATM:** Automatic Teller Machine.

**Australian Greenhouse Challenge:** Australian government program for companies that are committed to reducing their greenhouse gas emissions. [www.greenhouse.gov.au](http://www.greenhouse.gov.au)

**CSR:** Corporate Social Responsibility – the responsibility of corporations to achieve a balance in responding to the social, environmental and economic interests of all its stakeholders including employees, customers, community groups, shareholders and governments.

**GRI:** Global Reporting Initiative – global voluntary guidelines for companies to report transparently their performance on economic, environmental and social issues, such as human rights and workplace practices.

**ISO 14001:** International Standard for Environmental Management.

**EFTPOS:** Electronic Funds Transfer at Point of Sale.

**NTA:** Net Tangible Asset per Share – total assets of the company less any intangible assets, such as goodwill, and less all liabilities, divided by total number of shares on issue.

**KPI:** Key Performance Indicator. A unit of measurement, either text or numerical, that is used to assess a company's performance against specific criteria.

**EPI Finance 2000 and SPI Finance 2002:** Environmental and Social Performance Indicators developed for global finance industry in conjunction with the GRI, through a multi-stakeholder process. [www.spifinance.com](http://www.spifinance.com)

**SRI:** Socially Responsible Investment. An investment product that invests in companies screened against performance criteria for environment and social management.

**Stakeholder dialogue:** Consultation programs designed to seek the views of all interested parties on a particular issue. The objective is to reach, to the extent possible, a consensus view of the appropriate management of that issue.

**UNEP FI:** United Nations Environment Programme; A voluntary global program for Financial Services companies. 'Statement by Banks on the Environment and Sustainable Development'. [www.unepfi.com](http://www.unepfi.com)

**United Nations Global Compact:** A group of worldwide companies and interest groups that have publicly committed to support nine principles governing behaviour in regard to the environment, labour standards and human rights. [www.globalcompact.org](http://www.globalcompact.org)

**VFU:** Widely adopted environmental indicators for measuring the in-house ecological performance of financial institutions. [www.vfu.de/indicators](http://www.vfu.de/indicators)

Your feedback

# Your opinion counts

Please fax to 02 9226 3533 or complete online at [www.westpac.com.au](http://www.westpac.com.au)

1) Please indicate which group(s) you belong to:

- Employee
- Customer
- Community
- Environment
- Shareholder
- Supplier
- Other (Please state) \_\_\_\_\_

2) Which sections of the report did you find the most useful:

- Corporate responsibility
- Employees
- Customers
- Communities
- Environment
- Financial

3) What issues or areas of our performance would you like Westpac to focus on or provide more information on?

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4) Overall, how would you rate our report in terms of:

	<i>good</i>	<i>fair</i>	<i>poor</i>
Detail and content	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comprehension and readability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Any questions or comments?

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For further information please phone +61 2 9216 0922 or go to [www.westpac.com.au](http://www.westpac.com.au) or contact:

#### Corporate responsibility and sustainability

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#### Investor relations

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#### Socially responsible investment (SRI)

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## Sustainability Ratings



Ranked number one in the global banking sector by the Dow Jones Sustainability Index.



Ranked 3rd globally in the banking sector by Oekom Corporate Responsibility Rating.



On a scale ranging from C to AAA Westpac received an AA in the sustainability assessment of Zürcher Kantonalbank.



Included in the Belgian Ethibel Sustainability Index Global, established in July 2002.

## THE GOOD REPUTATION INDEX 2002

### Good Reputation Index 2002

Ranked number one against Australia's top 100 companies.



### Corporate Monitor

Top rating of five stars for social and environmental performance and four stars for corporate governance.



### FTSE4Good

Included in the international ethical index FTSE4Good.

Our performance is also rated by

Monash Sustainability Enterprises

Ethical Investment Research Service

## Sustainability Awards

**United Nations Association of Australia Triple Bottom Line Award 2002** – for the development and distribution of 'Talking ATMs' for the visually impaired.

**Leadership in Diversity Award for Excellence and Leadership** – awarded for promoting workforce diversity.

**2002 Prime Minister's Awards for Excellence in Community Business Partnerships** – Special Award for Impact on Community by a Business.

**Prime Minister's Employer of the Year Award March 2002** – Large Business Category, NSW for Improving opportunities for people with disabilities to gain employment.

**EOWA Business Achievement Awards 2002** – Westpac was recognised as an 'Employer of Choice for Women'.

**The International Association of Business Communication's Gold Quill Excellence Award 2002** – WestpacNews judged the best employee publication.

**Standard and Poor's Company transparency and disclosure survey 2002** – One of only six Asian Pacific companies to achieve a top score ranking.

**The Banker Awards 2002** – Best Bank of the Year for Australia.

## We support



EPI-Finance 2000



SPI-Finance 2002



UNEP Finance Initiatives  
Innovative financing for sustainability

The Universal Declaration  
of Human Rights

Global  
Reporting  
Initiative

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