



Sustainable Value...

...because of

Because we know that a prosperous business goes hand in hand with a prosperous society, our social, environmental and financial performance truly matters.

That's why we are passionate about ensuring that the interests of all generations in the communities we serve are nurtured to ensure their ongoing strength and dignity.



passionate care

**Breaking through  
the glass ceiling**

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**United colours  
of Westpac**

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**Can we see  
the wood  
for the trees?**

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**Benefits  
to the  
community  
add up**

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**Westpac partners  
grow stronger**

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# Doing the right thing

This is our fifth Stakeholder Impact Report, and we have found that there is no doubt that measuring and reporting on our non-financial performance is driving improvements in the way we manage our business.

This report has been prepared in accordance with the 2002 GRI Guidelines. It represents a balanced and reasonable presentation of our organisation's economic, environmental and social performance.

When we talk about corporate responsibility we talk about ‘doing the right thing’ as short-hand for what is a complex agenda. It encompasses everything from managing the social and environmental impacts of our business, understanding and responding to stakeholder priorities, being prepared to make short-term trade-offs for the sake of longer-term future gains, and having a real commitment to accountability and transparency.

**L**ittle surprise then, that some of the brightest business people, academics and NGOs struggle to define the concept of corporate responsibility.

What is not in question is the fact that enhancing long-term shareholder value is the core responsibility of any corporation. And given the choice, all of us would manage our businesses with a view to the future.

The problem, however, is the short-sightedness of today’s financial markets. The challenge we have is to develop more sophisticated valuation models capable of assessing total organisational performance, and to address shortcomings in the corporate accounting paradigm and the fixation on short-term performance.

As a global leader in responsible business practices for our sector, we can genuinely say we have no corporate responsibility strategy as such.

Instead, ‘doing the right thing’ is simply an integral part of our business model – at the core of how we seek to manage the long-term drivers of capacity, performance and value within Westpac.


Importantly, this values and principles-driven approach is adding value by reducing risks, enhancing efficiency, positioning us as a preferred employer, and by contributing to improved customer service.

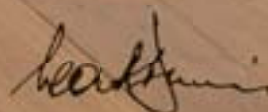
We also consider that being responsive to stakeholder interests in the way we conduct business is the best way to contribute to a more sustainable society and the best way to deliver on our obligations to shareholders.

The simple fact remains that long-term shareholder value is fundamentally put at risk if a company is not managing any social, environmental or other stakeholder issues that have a material bearing on the current or future financial performance of the business.

In today’s world it is a priority for directors, management and investors to understand better the real drivers of value, risks and opportunities within business.

While the business of business is business – we have to recognise that business operates in a social and environmental context. The reality is that to continue to prosper, companies must respond to the legitimate community expectations that flow from this.

At Westpac, we are determined not to be captured by the short-term demands of markets. We intend to continue to take account of broader stakeholder interests while relentlessly focusing on the drivers of longer-term value and prosperity for our shareholders. 



Leon A. Davis AO  
Chairman



David Morgan  
Chief Executive Officer

# Our business strategy and principles

The Westpac DNA defines what we stand for, where we're heading and how we're going to get there. It defines our vision, our mission, our values, our strategy and our key objectives. Our vision is to be a great Australasian company in helping people achieve their financial aspirations. Customer focus is our strategy and our mission is to be number one for customer service in our industry.

Woven throughout everything we do are our values of teamwork, integrity and achievement. A picture of how the Westpac DNA fits together is set out on the page opposite.

Our management model 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.

## Our business strategy

Our business strategy is centred around superior execution and comes together around:

- outstanding leadership;
- committee people;
- quality processes; and
- embedded values.

A key component of the strategy is the Westpac customer service model which, is built on three

cornerstones: having a deep understanding of customers and their needs; providing value-adding solutions; and building long-term relationships with customers.

At the end of the day it's all about how well we execute all this. This is where the service-profit chain comes in – it establishes the relationship between our internal practices and employee commitment, customer satisfaction and loyalty, profitability and value creation. We strongly believe that the only way to

sustainably deliver value across our businesses is through the service-profit chain. We can

draw a straight line between making superior customer service second nature and sustainable profit growth.

Key to achieving our strategy, and what makes our operating model distinctive, is the quality of our people and their passion for our company, our business and our customers.

In simple terms, the strategy is all about driving our vision: helping people achieve their financial aspirations.

## Corporate responsibility and the business strategy

Describing what corporate responsibility means can be a challenge because it is no one thing and cuts across every aspect of our business. However, the essence is simple – it means doing business in a way that not only meets our profit imperatives, but also fulfils the community's expectations for socially and environmentally responsible behaviour.

From a strategic point of view, our objective is to drive shareholder value through our existing business strategy; that is to positively impact the employee and customer components of our service-profit model; and to develop business opportunities through new sustainability-linked products and services.


We also aim to maximise intangible value over the medium term – to build the real drivers of capacity, performance and value within Westpac. This includes an improved reputation and social licence to operate; reducing regulatory and other operational risks; enhancing operational efficiency; and strengthening our innovation and creativity.

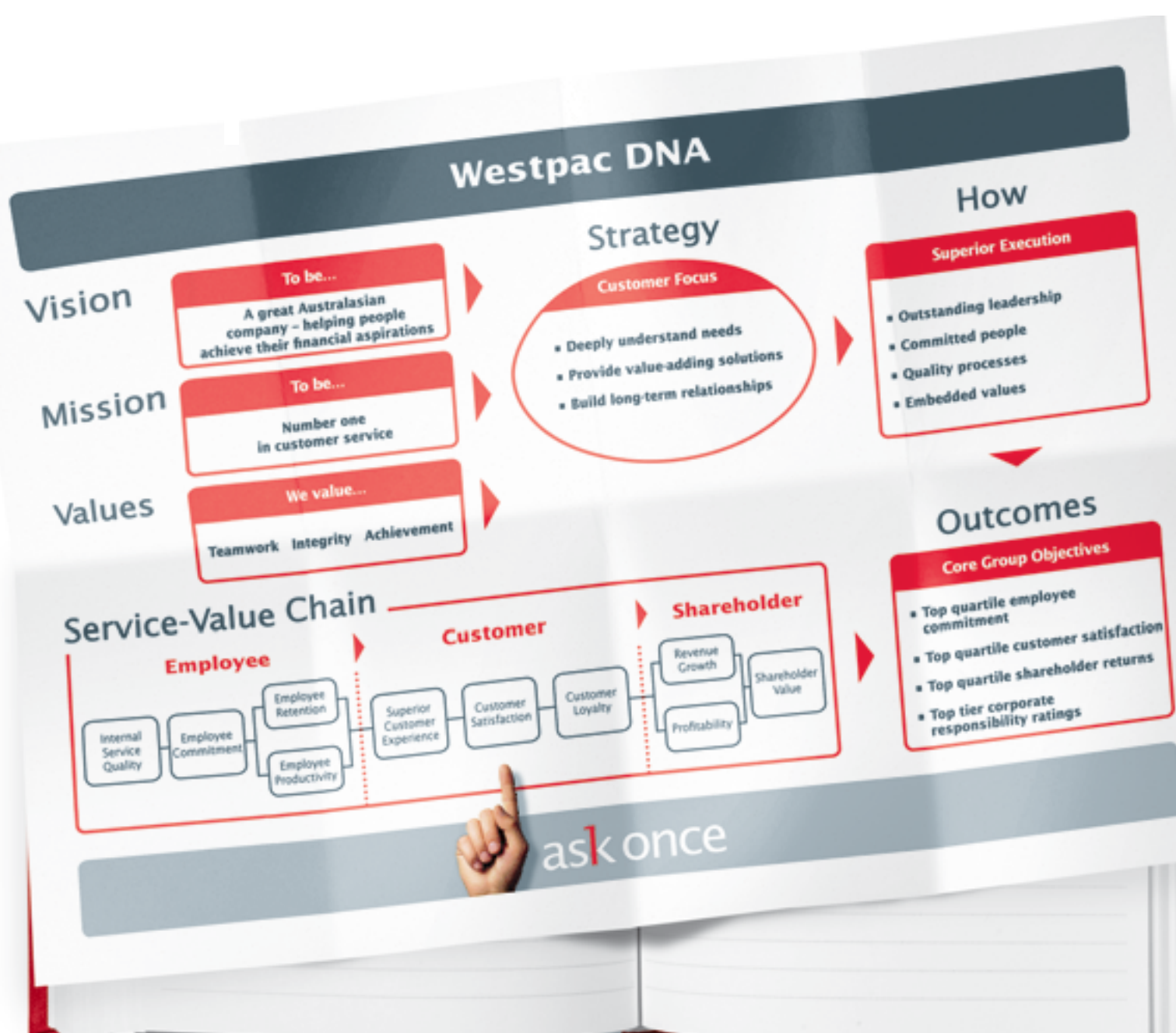
Describing what corporate responsibility and sustainability means can be a challenge because it is no one thing and cuts across every aspect of our business

**Our Principles for doing business**

We revised our Social Charter in 2005, retitling it 'Our Principles for Doing Business' after an extensive review and consultation process. The Principles set out how we aim to conduct ourselves across our business in the areas of governance and ethics; employee practices; customer practices; care for the environment; community involvement; and supply chain management. The Principles are also aligned with the significant global initiatives which promote responsible business practices: for example, the UN Global Compact; ILO Declaration on Fundamental Principles and Rights at Work; OECD Guidelines for Multinational Enterprises; and the Caux Round Table Principles for Business.

Our Principles apply across the entire Westpac Group and their effectiveness is monitored in the context of the specific issues raised by our stakeholders as well as broader changing expectations in society. We expect to be judged against these Principles and will report our performance against them annually through our financial reporting and this Stakeholder Impact Report.

@ For further detail, please go to 'Our Principles for Doing Business', at [www.westpac.com.au](http://www.westpac.com.au), under the 'Westpac info' tab. 



# Our sustainability priorities and the emerging agenda

We believe that stakeholders must have access to the information needed to fully assess and value the company's long-term prospects and total performance. Financial reporting and metrics capture only part of performance, capacity and value. As a result we have designed the Stakeholder Impact Report, Concise Annual Report and Annual Financial Report to fit together as an integrated report on our total performance.

## What goes in the Stakeholder Impact Report – and why

What we report on in the Stakeholder Impact Report is a critical issue. Our approach is three-fold. First, wherever possible we make use of established or emerging frameworks for non-financial indicators because this means our performance can be compared with peer organisations. It also helps build a critical mass of companies using established frameworks. Second, we use an extensive stakeholder engagement process to ask stakeholders what should be included. And third, we test what we report through a detailed and independent assurance process.

## Our choice of reporting frameworks

It's an obvious point but non-financial reporting is still at an early stage of development. However, there is now a groundswell of support

for the Global Reporting Initiative (GRI) and this forms the basis of our reporting framework. We have supplemented this with two sector-specific frameworks for financial institutions: Social Performance Indicators for the Financial Industry (SPI-Finance) and Environmental Performance Indicators for the Financial Industry (EPI-Finance).

Beyond this, the indicators we use continue to evolve. We have begun to build in the new VFU Indicators 2005 which sets out how banks and insurance companies should report their direct environmental impacts.

We have also road-tested further environmental performance indicators developed by the United

Nations Environment Program Finance Initiative – Global Reporting Initiative (UNEP FI-GRI) working group. We found some indicators easier to report on than others but the process was useful in requiring us to look again at our systems for data capture.

We continue to complement these frameworks with additional, specific indicators to ensure we capture the most material issues for our stakeholders. These are developed through our continuing engagement with stakeholders.

## The Community Consultative Council

The Community Consultative Council is crucial in determining both our sustainability priorities and what we report on in the Stakeholder Impact Report. The Council is chaired by Westpac's CEO and comprises the CEO or similar executives from organisations representing key stakeholder interests. Current membership is set out on page 7.

The Council meets at least annually, and the bulk of the main meeting is used to solicit Council input on issues and priorities and how Westpac should respond.

The Council is not about talking – it leads to action. The feedback and discussion at the first, 2004, Council meeting was used to drive Westpac's sustainability priorities and hence also the content of Westpac's sustainability reporting in 2004. Also, at the April 2005 meeting, we provided a Report to Council which specifically demonstrated Westpac's response on each issue and recommendation raised at the first meeting.

In the same way, this 2005 Stakeholder Impact Report forms the bulk of our response to the issues the Council raised this year. We also invite Council members to advise us of new issues or revised priorities between annual Council meetings.

There is now a groundswell of support for the Global Reporting Initiative (GRI) and this forms the basis of our reporting framework



The specific issues raised by Council members – and our response – are set out below.

### **Community Consultative Council**

[Australian Council of Trade Unions](#)

[Australian Conservation Foundation](#)

[Australian Consumers' Association](#)

[Australian Council of Social Service](#)

[City of Melbourne](#)

[Commonwealth Department of Family and Community Services](#)

[Commonwealth Department of the Environment and Heritage](#)

[Environmental Protection Authority Victoria](#)

[Finance Sector Union](#)

[Human Rights and Equal Opportunity Commission](#)

[Landcare Australia](#)

[Mission Australia](#)

[National Seniors Association](#)

[NSW Department of Planning](#)

[Our Community](#)

[Reconciliation Australia](#)

[St James Ethics Centre](#)

[The Salvation Army](#)

[The Smith Family](#)

[University of Technology Sydney](#)

[WWF Australia](#)

### **Priority issues for stakeholders**

We were not surprised to see that the sustainability issues identified by our stakeholders in 2004 are still prominent on their agenda this year, and hence remain our sustainability priorities. The detail of what we are doing is set out within this report, but a summary of the issues and the emerging agenda follows.

#### **Consumer debt and financial literacy**

We recognise the growing issue of consumer debt, and the economic and social policy debates around the sustainability of this level of indebtedness. So far our response has primarily been to intervene through ensuring we do not contribute to over-commitment; by building the financial literacy of our employees and customers; working with debt counsellors; and focusing on the particular needs of disadvantaged groups like Indigenous Australians.

However, in 2005 the Board Corporate Responsibility and Sustainability Committee endorsed a more holistic examination of the issue – and this is an objective for the current year.

#### **Postcode poverty and the emerging underclass**

Our response is a broad one and includes focusing on financial literacy, increasing accessibility and equity in banking services,

Indigenous initiatives and much of our community involvement program. The Westpac Foundation also focuses on early intervention with disadvantaged groups and within distressed locations.

#### **Ageing population**

Continued progress was made against our Age Balance Strategy – through the recruitment of mature aged employees and specific communication campaigns. As a result, we met ahead of time the target to recruit 900 new mature aged workers in the three years to September 2005.

#### **Disability**

Our Disability Action Plan sets out detailed and comprehensive objectives with six-month progress reporting against this plan charting our progress.

#### **Indigenous disadvantage**

A comprehensive program of work has been endorsed by the Board Corporate Responsibility and Sustainability Committee and is managed through the Indigenous Working Group. Our commitment to work in Cape York via the Indigenous Enterprise Partnership has been extended until 2007 and a new pilot program was launched to increase Indigenous employment across Westpac.

#### **Work-life balance**

A comprehensive set of policies and programs is in place to support improved work-life balance for our people. During the year, paid parental leave was extended from six to 12 weeks and child care support provisions and practices were consolidated and expanded.

#### **Climate change and environmental performance**

Since 1996, we have reduced our greenhouse gas emissions by over 30%. Our Environmental Management System was reviewed this year as we sought to ensure we can continue to reduce our footprint.

In late 2004, our wealth management business, BT Financial Group, initiated a review of uranium given the ratification of the Kyoto Protocol on greenhouse gas emissions and the potential for uranium as a low-emission alternative energy source.

The review led to a removal of the screen around mining uranium for energy. To manage the change, BT has implemented, with research provider Monash Sustainable Enterprise (MSE), a new approach to assess companies who extract uranium and enhanced the engagement of the companies on issues such as waste and more rigorous monitoring.

The new ratings process will now also analyse:

- extraction and processing of uranium;
- management of tailings and waste products from extraction and processing activities;
- rehabilitation of mining sites; and
- transport and handling of uranium products for export.

MSE have also focused their attention to the issue of nuclear waste and have the capability to assess first level supply chain activity. BT has engaged with key Australian uranium miners to encourage them to develop programs of work to look at storage and disposal of depleted uranium.

#### **Community demand for sustainability-linked products and services**

Our existing sustainability-linked products and services include the Community Solutions Banking package, Socially Responsible Investment (SRI) funds, and the operation of the Environmental Markets team in our Institutional Bank. In 2005, the Board endorsed a broad advance in product development, with the new initiatives on stream from early 2006.

#### **Mainstreaming sustainability assessment by financial markets**

We see this as a critical step in the further uptake of responsible business practice – and one which we are determined to take a lead on.

We are now seeking to directly explain to our institutional investors the links between our non-financial and financial performance, starting with the service-profit model and extending to more intangible drivers of performance over the medium term like corporate reputation.

Through speeches and presentations by the CEO and Chairman, and support for initiatives

such as the Society for Knowledge Economics, we are actively encouraging debate around intangible value and the shortcomings of the financial accounting model.

Whilst progressive organisations such as Westpac have a part to play through voluntary reporting and direct engagement with mainstream equities

analysts and fund managers, we believe the development of more sophisticated performance and valuation models capable of ultimately assessing total organisational performance is now required by market participants.

Making the intangible, tangible, is now a major objective. And this is very much a task requiring a collaborative and multi-sectoral effort between investors, companies, accounting bodies and so on.

#### **EDA negotiations**

Westpac has been negotiating with the Finance Sector Union (FSU) on a new Enterprise Development Agreement (EDA) since July 2004. Despite best efforts we have been unable to settle the EDA and Westpac withdrew its offer in October 2005. We will now examine how to get the best outcome for our employees and the company under the WorkChoices proposal before the Australian Federal Parliament. We will consult with our employees as well as the FSU about the new possibilities and what these workplace arrangements might look like.

#### **Outreach and advocacy**

We continue to advocate on responsible business practice, participate in policy or indicator development, share practice with peer organisations, and otherwise indirectly contribute to the sustainability agenda.

For example, in January 2005 Westpac was elected to take the Chair of UNEP-FI. We also continue to be active within the Equator Principles Working Group and have been a leader on the debate of how to report against these Principles. We have also joined the ENGAGE International Business Leadership Team. ENGAGE is a business-led campaign from the Prince of Wales International Business Leaders Forum and Business in the Community that aims to increase the quality and extent of employee engagement.

We also started the Westpac Sustainability Seminars in the year, which bring together a mix of Westpac and non-Westpac speakers to talk with employees, suppliers, NGOs and other external stakeholders. The seminars so far have focused on the environment; and then corporate responsibility assessment. The second seminar also included a keynote presentation from Stephen Young, Executive Director of the Caux Round Table, and we have subsequently become active in the development and global promotion of this self-assessment technique.


In a related vein, we have also developed a protocol for engagement between companies and sustainability ratings agencies which we hope will improve transparency and confidence in the burgeoning ratings and assessments made of companies' sustainability performance.

We continue to be very active contributors to conferences and workshops in Australia and overseas, and this includes the participation of the CEO, Chairman and Group Executives, as well as our sustainability professionals.

Perhaps the most significant development during the year was to begin to concentrate on the 'demand-side' of sustainability; both within mainstream investment markets and amongst consumers. On this we are supporting research by the University of Technology Sydney to understand what drives demand for sustainability-related products and services.

#### **Assurance – reporting what matters**

The last piece of our reporting framework is the assurance process. As in previous years, the content of this report, together with our underlying management of sustainability at Westpac, is subject to a stakeholder-guided assurance process against the AA1000 Assurance Standard.

The key development this year was to convene an Assurance Advisory Panel (AAP) drawn from Community Consultative Council members, to provide independent review and endorsement of the assurance in parallel with the governance provided by the Board Corporate Responsibility and Sustainability Committee (BCRSC.) 

We met ahead of time  
the target to recruit  
**900**  
new mature aged workers  
in the three years  
to September 2005

## Assurance Advisory Panel (AAP) Statement

Sydney, Australia  
25 November 2005

Panel membership was determined by self-nomination from Westpac's Community Consultative Council. The members of the AAP were representative of the following organisations: The Australian Government Department of Family and Community Services, Finance Sector Union, Landcare Australia, Mission Australia and St James Ethics Centre. Assurance providers and representatives of Westpac management attended the meetings as observers.

We met three times between September and November 2005. At the first meeting, we reviewed and endorsed the assurance methodology used by Banarra Sustainability and Social Assurance and GHD – closely examining the basis for determining materiality. At the second meeting, we reviewed the material issues that the assurance providers used to test Westpac's management systems and reporting. At the third meeting, we reviewed the assurance providers' statements on the extent to which corporate responsibility and sustainability practices are embedded across Westpac and tested the application of their process in relation to a 'test' issue. This final meeting also reviewed the draft report and this statement.

Based on our work, we are satisfied that the assurance methodology both identified the material issues and adequately tested Westpac's understanding and response to them.

We recommend that:

- Westpac stakeholders use the assurance providers' statements with confidence while understanding the limitations of their work as communicated in the statements;
- Westpac continue the AAP process in future reporting cycles;
- AAP be chaired by one of its members (the practice adopted by the AAP after its first meeting); and
- Westpac adopt the recommendations made in the assurance providers' reports.

Future assurance providers may need to consider the following points:

- that the methodology explicitly consider linkages between different stakeholders with a material issue in common; and
- the process of identifying material issues continues to take account of significant changes in stakeholder relationships (for example, in new industrial relations arrangements).

Our participation in the AAP does not necessarily imply support for Westpac policies and practices and does not preclude members from voicing criticisms of Westpac.



# Breaking through the glass ceiling

At a time when Australia's workforce is dramatically shrinking, providing women with better development opportunities and focusing on retention should be a priority for any company. Our analysis told us that we had a bottleneck emerging of women in middle management positions who were not breaking through to senior roles. This issue is being tackled head-on by **Niki Kesoglou**, Stream Leader, Diversity, as part of our broader diversity strategy.





We've come a long way since we hired our first female employee in 1898, with over 65% of our workforce now female. Today, over 40% of management positions are held by women. But we continue to look at training and development programs we can provide to support women in breaking through to higher levels of management.

**W**e have been working hard to increase the levels of women in management for a while now. And since 1994, the percentage of women in management positions has increased by 200%, but we needed to do more.

So in March 2004, we piloted a development program – Westpac Women: Achieving their Potential – to inspire and assist women in middle management positions and to address the barriers women face, both internal and external, to achieving their career potential. Around 30 women took part in this initial pilot, representing all areas of our business.

Now, 18 months on, we have refined the program and have integrated it into our mainstream leadership training for women.

Westpac Women: Achieving their Potential helps participants develop a comprehensive career plan and increase personal and organisational skills and effectiveness. The program consists of three main components:

1. Three one-day workshops, covering topics such as work-life integration; gender differences in communication; networking; mentoring and personal brand;
2. Four one-on-one coaching sessions to focus on development and career planning; and
3. Involvement in a team project, focusing on a diversity-related organisational topic, the outcomes of which are later presented to Westpac senior management.

Initial feedback and results from the program have been encouraging. Over 60 employees have now completed the

course, with around 23% of participants saying they have since been promoted and 19% indicating they have moved sideways into other areas to increase their skills. In addition, women who have completed the course stated that they believe the course will add value to their current role.

We have also found that, not only has this program been good for individual development, the action learning component is also assisting the organisation with recommended solutions to diversity related issues currently being implemented across our business.

For example, recommendations made by one of the team projects outlined barriers and solutions to flexible work. Their recommendations around technology issues and the need for better tools were incorporated into our telecommuting pilot undertaken this year.

Recommendations from most projects have also been considered in the development of 'Create the Difference', another new leadership program assisting all managers in understanding how to recognise and value differences between people and how to build a flexible, high performing team.

While Westpac Women: Achieving their Potential is not seen as the 'silver bullet' to gender issues within Westpac, it is seen as another tool to eliminate the barriers women face in rising to senior roles.

We believe this is another important step in our long and proud history in providing workplace-friendly benefits and conditions for women. This is why we continue to be recognised by the Equal Opportunity for Women in the Workplace Agency (EOWA) as an Employer of Choice for Women. 

# Employees

As a services business, our employees make up a large part of our sustainability priorities. How we treat them feeds through to our customers' experiences. And with an ageing population and growing war for talent, attracting and retaining the best people is fundamental to our long term prospects.

## Report Card



### EMPLOYEES

2004 Objectives	Comments	Results
<ul style="list-style-type: none"> <li>Recruit up to 900 new mature aged workers in the three years to September 2005.</li> </ul>	<ul style="list-style-type: none"> <li>Recruited 1,073 mature aged workers since 2002.</li> </ul>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Respond to key findings from the diversity component of the 2004 Staff Perspectives Survey.</li> </ul>	<ul style="list-style-type: none"> <li>Conducted review of current policy and practices across retail bank.</li> </ul>	<input type="checkbox"/> IN PROGRESS
<ul style="list-style-type: none"> <li>Implement phase one of e-learning.</li> </ul>	<ul style="list-style-type: none"> <li>Released 40 new programs covering 14,000 people.</li> </ul>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Reduce the average time away from work due to a compensable work-related injury or disease by 5%.</li> </ul>	<ul style="list-style-type: none"> <li>Reduced by 13%.</li> </ul>	<input checked="" type="checkbox"/>
<b>Aspiration target</b>		
<ul style="list-style-type: none"> <li>Increase employee commitment by 3%.</li> </ul>	<ul style="list-style-type: none"> <li>Increased by 1.5%.</li> </ul>	<input type="checkbox"/> X

## Employee Value Links



### The Westpac employment experience

At Westpac, it is our people that make us different from other companies. Our goal is to attract, develop and retain the best people with the right values, and to support them with the tools and processes they need.

Our People Strategy for 2006-08 sets out the areas we will be focusing on over the next three years. These include strengthening culture, leadership and values, attracting, developing, motivating and retaining quality people and simplifying our processes and tools.

Our full employment policies are set out on our website and within 'Our Principles for Doing Business'.

### Employee commitment

Increasing employee commitment by a further 3% was our core group-wide objective for people management. Although we did not meet our stated target of 3%, we were pleased to see employee commitment increase by 1.5% to 69%.

The proportion of women in management rose to

# 42%

in 2005

Group-wide employee commitment is measured through our annual Staff Perspectives Survey (SPS), undertaken independently by International Survey

Research. We had an 85% response rate to this year's survey, our highest ever, up from 83% in 2004 and 84% in 2003. Around 60% of employees believe that management will directly act on issues identified, up 1% from 59% last year.

### Employee turnover

This year, employee turnover fell back down to 16%, after rising to 17% in 2004. We're continuing our research into ways to retain people, with a particular focus on high performing individuals. This has involved in-depth interviews with some people who have left the bank since September 2004. This project will continue through to the end of 2005.

### Workforce profile and diversity

Within Australia, our total workforce is 21,829 employees. Around 65% of our workforce is female and 35% is male.

We measure the diversity of our workforce through our annual Staff Perspectives Survey. This year, we found that over 55% of our workforce come from a different ethnic or cultural background than Australian.

Around 32% of respondents are fluent in a language other than English, with Hindi, Cantonese, Mandarin, Filipino, Greek and Italian being the most prevalent.

Approximately 3% of respondents identified themselves as having some kind of disability, with sight or hearing loss the most common. We also found that 42% of respondents have carer responsibilities of some kind, whether for children, a family member who has health problems, a disability or who is frail.

### Mature aged workers

Through our Age Balance Strategy, our target was to recruit 900 mature age people by September 2005. We have achieved this by recruiting 1,073 people over the age of 45 since 1 October 2002. We reached this target by focusing on innovative retention and recruitment initiatives, which we continue to embed across our people practices.

This year we also surveyed 3,200 people over the age of 45 in our Business and Consumer Bank to understand their preferences for retirement. This survey examined how we can assist our employees through this change with flexible work options, superannuation assistance or lifestyle workshops. Survey results indicate we have significant opportunities in helping our people prepare for retirement and providing flexible work options – 80% indicated that they intend to stay with Westpac until retirement and beyond.

We also implemented a pre-employment training program in partnership with Business Work and Ageing, the Commonwealth Department of Employment and Workplace Relations, the Queensland Department of Employment and Training and the Salvation Army.

The project focuses on attracting and preparing older candidates for job opportunities. To date, two pilot programs have been run with 38 people participating. Feedback has been very positive and a third pilot program is planned for another 20 people. If successful, we will be rolling this program out nationally.

In 2005, Westpac was recognised as a Champion for Mature Age Employment by the Commonwealth Department of Employment and Workplace Relations. These awards are given to employers who have a strong record of successfully implementing age-positive policies.

In 2006, we are focusing on what we can do to help our people prepare for retirement and continue to raise awareness and educate so that managing an intergenerational workforce becomes a key capability for our people.

#### Gender

Women in management for the Westpac group rose to 42% in 2005. Since 1994, the proportion of women in management at Westpac has risen from 14%.

In 2005, we took part in research projects looking at what obstacles are preventing more women from rising into senior roles. Overall, we found that we need to undertake more effective development of internal talent, mentoring and coaching for women,

integrate gendered issues into generic leadership training and focus more on succession planning.

This year, we were again successful in obtaining a 2005 'EOWA Employer of Choice for Women' citation. In 2005, EOWA has awarded the citation to only 115 organisations in Australia.

Westpac has achieved best practice awards and recognition in being an employer of choice for women since 1996 when we received our first award under the Affirmative Action (Equal Opportunity for Women) Act 1986.

In March 2005,  
we increased paid  
parental leave to  
**12** weeks

#### Ethnicity

As discussed previously, over 55% of our workforce identify themselves as having a different ethnic or cultural background to Australia.

In 2005, we began examining ways to better engage our staff with a different ethnic or cultural background. We have begun by conducting a review of current policy and practices across our retail bank, focusing on utilising the language skills of our employees to provide better customer service to our diverse customer base.

As detailed within the Customers section of this report, we know that our employees are already using their language skills and networks to help meet the needs of their local community. We are now focused on ensuring that our employee policies, procedures and practices appropriately accommodate their needs and requirements.

#### Disability

In April 2005, we published our six-month progress report for our second Disability Discrimination Action Plan (DDA). We have achieved 76% of our objectives while the rest are on track for completion.

This year, we have actively participated in the Employer Roundtable for People with Disabilities, established by the Minister for Employment and Workplace Relations to advise on an Employer Demand Action Plan.

We have also responded to the National Inquiry into Disability and Employment by the Human Rights and Equal Opportunity Commission and participated in the Multinational Corporation Roundtable in July 2005, hosted by the International Labour Office with the United Nations Economic and Social Division for Asia and the Pacific.





A feature of the 2005 SPS results was that people with a disability consistently score Westpac lower on all measures. We recognise this as an issue, which will receive further attention next year.

@ Both the six-month progress report and our full Disability Discrimination Action Plan are available at [www.westpac.com.au](http://www.westpac.com.au) under the 'Westpac info' tab.

### **Work and life balance**

We provide our people with a range of initiatives to promote better work and life balance, including flexible working arrangements, and access to child care facilities.

As part of our celebrations for the 'UN Day for Women's Rights and International Peace', in March 2005, we increased paid parental leave entitlements from six to 12 weeks.

We launched a new guide called 'Parenting – Your guide to parental leave and returning to work'. The guide includes information on how to access parental leave and other types of leave, child care options, flexible working arrangements, as well as tips and ideas on how to juggle the many new responsibilities of becoming a parent.

We conduct regular Parent Satisfaction Surveys on our child care centres. These are conducted six months after opening or a change in management and annually thereafter. If a centre receives a satisfaction rating below 90% then centres have one month to prepare a response plan for improvement which is communicated back to parents.

In May 2005, Westpac was ranked first in the Financial Sector and fourth overall in the Annual Benchmarking Survey 'Work/Life Initiatives – The Way Ahead 2005'. Conducted by Managing Work/Life Balance International, the survey examines progress made in implementing work and life balance initiatives across the organisation. This year, 376 organisations participated across Australia.

### **Recruitment**

We continue to focus on improving our recruitment tools and processes. Recent initiatives include the launch of our new starter pack, [Careers@Westpac](mailto:Careers@Westpac) online, updates to our Letters of Offer and a revamp of our Recruitment Accreditation course and Induction.

In July 2005, [Careers@Westpac](mailto:Careers@Westpac) was extended to the external recruitment market, following an internal launch in late 2004. This enables candidates to apply for vacant roles or profile themselves to receive job alerts when positions matching their interests become available. It also allows us to build a candidate database of people interested in working for Westpac.

We've rewritten our letter of offer, with terms and conditions in plain English to make it easier to understand. We've transformed our Recruitment Accreditation program to assist hiring managers to communicate our culture and make objective and consistent recruitment decisions. We have introduced a team of

consultants to assist managers and any people affected by restructuring – providing one-to-one job search assistance.

We've also been working on a new induction program, which will be launched in February 2006.

### **Graduate recruitment**

Within the year, we received 4,957 applications for the 2006 graduate program. Retention figures also remain high, retaining 75% from 2002, 80% from 2003, 90% from 2004 and 100% of recruits from the latest graduate intake.

### **Training, learning and development**

We provide training, learning and development through the Westpac Academy.

Within the year, phase one of our e-learning project, the e-Academy, has culminated in the release of 40 new programs spanning the critical areas of sales, products and services. Next year we will be aiming to expand the e-Academy into other areas of the bank.

We are also introducing a tailored e-learning tool to help our employees understand our corporate responsibility ethos.

Following the success of our Customer Experience program, we have been developing a new sales effectiveness program to be implemented during 2005-06. We have also rolled out 282 programs to a further 4,000 employees on topics such as Hire Right, Agree Objectives, Coaching for Growth and Live the Values.

This year we began piloting two new career workshops aimed at managing for 'Generation X and Y'. The first workshop, aimed at younger workers, provides career advice and the second workshop, 'Leading Generation X and Y', provides people leaders with an insight into the motivations and expectations of these generations and how to provide effective leadership.

We have also developed, piloted and launched a new program called 'Create the Difference', aimed at assisting managers with recognising and understanding diversity issues, the different approaches people may have to working and how to translate different styles and ways of thinking into improved customer service.

We have continued to support our people in undertaking external study, with 765 people pursuing tertiary study at a cost of \$1.1 million.

### **Performance and evaluation**

It is the individual contribution of every person at Westpac that allows us to achieve our goals, so the effective management of performance is essential.

We work through three stages in setting objectives and measuring performance – setting expectations, assessing performance, and rewarding outcomes. Our formal appraisal process looks at performance against role requirements, objectives and behaviours.

Appraisals are conducted twice a year with quarterly reviews held in some business units. The final agreed performance rating is key to decisions around pay increases and/or variable remuneration, so consistency in managing and evaluating performance is critical for us.

#### **Leadership and succession management**

We have put in place a number of programs for driving stronger leadership and succession management across the organisation.

We have developed an Enterprise Leadership Program to engage and develop the top 70 leaders across our organisation. We are also

focused on identifying, retaining and developing high potential people across our organisation, by improving our succession and talent management.

From 1 October 2005, we are putting in place a new values-based leadership model – ‘Living the Values’. Under this model, we will be introducing a new assessment framework on values and behaviours. In

other words, not just what objectives have been achieved, but also how they have been achieved.

The new leadership model will build upon existing frameworks and our core values of Teamwork, Achievement and Integrity. We will report on progress in implementing this framework in our next report.

**We are putting in place a new values-based leadership model – ‘Living the Values’**

#### **Balanced scorecard**

We use a balanced scorecard approach, where performance objectives are set across the organisation in four key areas – Customers, Shareholders, Employees and Corporate Responsibility.

Objectives align with our overall strategy and our four core objectives. Across all quadrants we provide guidance on the types of objectives and measures applicable for each business unit and across different roles within the organisation.

We continue to further develop our organisational capability to determine appropriate objectives and measures across all quadrants of the Balanced Scorecard.

#### **Remuneration fostering sustainability**

In addition to our Value Management Framework and our balanced scorecard system, the Employee Share Plan – that gives eligible employees an opportunity to become a shareholder – aims to create a stronger link between employee performance and increased shareholder value.

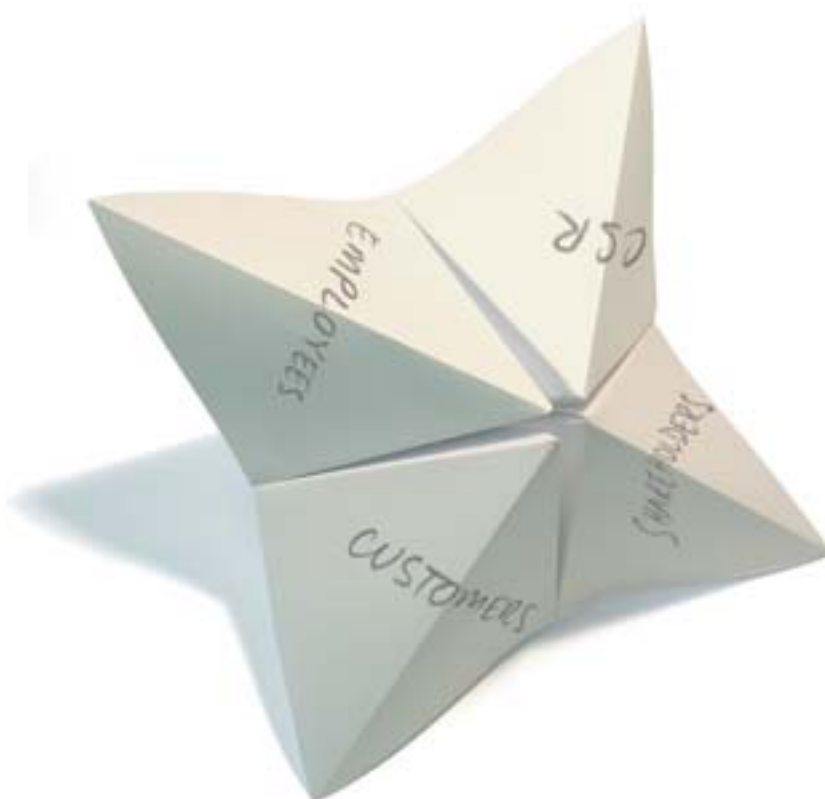
We believe that the underlying motivation in promoting a longer-term perspective of performance is consistent with fostering sustainability. It also enables employees to have a greater involvement with, and share in, the future growth and profitability of Westpac.

#### **Westpac Enterprise Development Agreement (EDA)**

Westpac commenced negotiations with the Finance Sector Union (FSU) on a new Enterprise Development Agreement (EDA) in July 2004. The EDA is made up of 12 separate agreements that cover our people in different businesses, States and individual worksites across Westpac. During the renegotiation process we developed the key themes for negotiation through consultation with our people, discussion with business unit leaders, and by enhancing our original EDA proposal in response to employee and FSU feedback.

After 15 months of negotiation, and a considerable effort from both parties to reach common ground, regrettably Westpac and the FSU remained divided on some fundamental points. With a new Federal workplace relations system about to be introduced, we decided that we should not pursue a new EDA in the current system. We advised the FSU of this decision on 20 October 2005.

The Westpac Employees’ Award and 2002 EDA will continue to apply to our employees until we enter agreements under the new workplace relations system. We will ensure that our people continue to have a say about their employment conditions and we will continue to engage them to reach a mutually beneficial solution under this new system.



We have a good track record of improving employment conditions through progressive employment policies. For example, during the EDA negotiations, two separate 4% fixed salary increases for eligible employees were provided and paid parental leave was increased to 12 weeks. We also provide disablement insurance cover to all employees and an Employee Share Plan recognises the contribution of employees to Westpac's performance.

We expect that collective agreements like the 2002 EDA will continue to be the primary means of agreeing working conditions with employees. We also remain committed to respecting our employees' choice to be a member of the FSU and will seek to maintain a constructive, professional relationship with the FSU in Australia in the interests of our employees who choose to be members.

### Occupational Health and Safety (OHS)

Our focus during 2005 has been on the prevention of injuries and improving the return to work rate for employees who have sustained a workplace injury.

To enable us to take a more targeted approach to injury prevention a national database was implemented in October 2004. We can now conduct detailed analysis of trends for incidents, injuries and hazards and implement more effective preventive measures.

During the year, we have supported our people through a number of significant events including armed hold-ups, flooding in northern New South Wales and southern Queensland, air contamination from adjoining properties, fires, asbestos disturbance, and violent behaviour in branches by members of the public.

We have reduced our Lost Time Injury Frequency Rate (LTIFR) by 13% to 5.8% as at the end of September 2005, exceeding our target of a 5%

reduction. We are now aiming to further reduce the LTIFR by 10%, positioning us at half the Australian finance industry average.


A Safety Council now meets regularly in our Business and Consumer Banking team to further embed health and safety awareness and to ensure adequate resources are in place to address emerging issues. The Council is made up of general managers from key areas along with specialist

advisers from OHS, People and Performance, Physical Security and our property teams.

Over the year our Critical Incident Management processes were tested by incidents relating to the Asian tsunami, London bombings, and the recent Bali bombings. Although no employees were affected while travelling on business during these events, we also endeavour to account for all employees who may be holidaying in these

areas and provide counselling following such traumatic events.

In response to the increasing rate of such incidents, we are reviewing our preparedness for a major event requiring evacuation from the workplace. Westpac is also currently developing a plan for avian bird flu.

Employee satisfaction on the question that OHS issues were effectively managed rose from 80% to 81% in the 2005 Staff Perspectives Survey. 

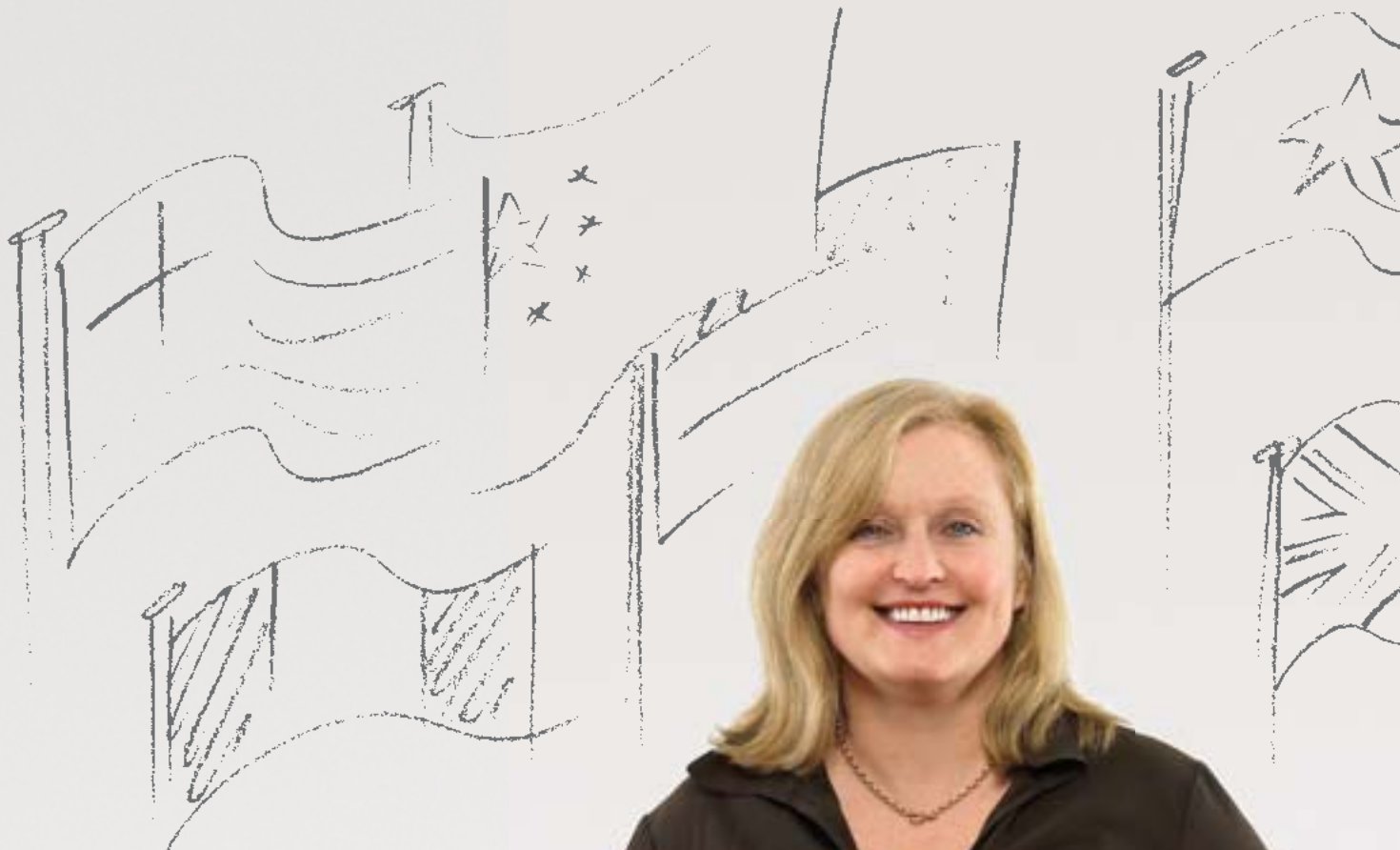
## EMPLOYEES

### To do – 2006

#### Objectives

- Launch new induction program in February 2006.
- Complete research into employee retention by December 2005.
- Roll-out our new leadership model – 'Living the Values' – in 2005-06.
- Reduce the Lost Time Injury Frequency Rate by 10%.
- Launch corporate responsibility e-learning program in early 2006.
- Maintain top quartile employee commitment.

**We have reduced our Lost Time Injury Frequency Rate (LTIFR) by 13% to 5.8% as at the end of September 2005, exceeding our target of a 5% reduction**



# United colours of Westpac

Westpac's workforce is more culturally diverse than the broader Australian community. **Julie Edwards** and the team at Marrickville branch, NSW, exemplify what can be done to use this diversity to our advantage when it comes to looking after customers who come from diverse backgrounds.



A basic diversity principle is to align your employee base with the customers you serve and with the make-up of the wider population. When we discovered our workforce is more diverse in terms of cultural background and language fluency, we realised this was a great opportunity to use our people to make our products and services more accessible to non-English speaking customers.

**C**ultural diversity is a feature of our workplace just as it is a feature of the Australian population. But what does it mean in practice for a bank and its customers? Cultural diversity means people coming from a different background, race or ethnicity. The differences encompass all of lifestyle, values, beliefs, ideals and practices, race, ethnicity, national origin, language and religion.

Westpac's 2005 Staff Perspectives Survey had shown us that over 55% of employees within the sample had a non-Australian background, compared with 22% of the general population in the ABS 2001 Census; and that 32% of our employee sample were fluent in a language other than English; compared with 16% in the 2001 Census.

This year we looked again at what we were doing to meet the specific needs of customers from diverse cultural backgrounds – and how we could make better use of this multicultural talent within our own branches. In particular we looked at how to make better use of our people's language skills.


We started by asking our employees within branches about their own experiences – what this means in practice. We found that Julie and the team at Marrickville branch in NSW are a great example of taking some pragmatic steps as well as drawing on their own multicultural make-up to better serve local customers – and that this feeds through to above-average customer experience outcomes.

Julie and the team have learned that when it comes to dealing with customers for whom English is a second language, a greeter who speaks their language makes

a great introduction; that visual tools make explaining products and procedures much easier; and that giving customers time to read brochures makes sense when people are often more comfortable reading than speaking.

It is a legal obligation and also simply great customer experience to ensure that customers fully understand any transaction before proceeding. To achieve this, an obvious solution was to assign our multilingual staff to the areas with most demand for their language skills – so we can explain simple or more complicated financial matters to customers in their own language. But this apparently simple initiative hid some practical difficulties.

For a start we have a way to go to get appropriately trained and accredited employees with the right language and banking or financial planning skills into these branches. Once we resolve this issue, we will turn to the specific challenges around the translation of complex banking transactions. This is especially important in the financial planning area where customers' wealth and financial future is entrusted to us. We need people who can discuss financial planning with customers in their own language to ensure an accurate and complete understanding of the products or services, as well as the risk and financial impact of their decisions.

So we are working to meet the skills gap. And whilst it's the right thing to do, it will also provide real business upside. Our Multicultural Marketing area has identified 42 branches with the most potential for business growth from culturally diverse customers, and where, when it comes to money, customers really will be able to speak the same language with a Westpac person. 

# Customers

As a services business, customers have always been central to our sustainability agenda because without them we have no business. When it comes to money, people want to trust who they do business with. And if we attract and retain customers with our ethical and responsibility credentials, it goes straight to the bottom-line.

## Report Card

CUSTOMERS

2004 Objectives	Comments	Results
<ul style="list-style-type: none"> <li>Complete the review and update of our Personal Customer Charter.</li> </ul>	<ul style="list-style-type: none"> <li>Re-released as the Ask Once Commitments.</li> </ul>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Implement strategy to increase accessibility for people with a disability at priority sites identified through audit.</li> </ul>	<ul style="list-style-type: none"> <li>As at 30 September 2005, 264 sites have been made more accessible.</li> </ul>	<input checked="" type="checkbox"/> IN PROGRESS
<ul style="list-style-type: none"> <li>Explore opportunities to run Beyond Survival workshops exclusively for women business owners and managers across Australia.</li> </ul>	<ul style="list-style-type: none"> <li>Workshop conducted but feedback suggested women preferred to participate in mainstream sessions.</li> </ul>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Restructure our Financial Awareness Workshop for community organisations, as delivered through our Debt Collections team, with an emphasis on how to seek financial advice once a person is in financial difficulty.</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory compliance issues made it not possible to adapt the workshop.</li> </ul>	<input type="checkbox"/> (WE TRIED!)
<b>Aspiration target</b>		
<ul style="list-style-type: none"> <li>Increase customer satisfaction by 5% by September 2005.</li> </ul>	<ul style="list-style-type: none"> <li>Consumer customer satisfaction rose from 69.7% to 71.2%.</li> <li>SME satisfaction rose from 63.1% to 66.8%.</li> </ul>	<input type="checkbox"/> <input checked="" type="checkbox"/>

## Customer Value Links



### Customer experience

In 2002, we set ourselves a mission to be number one for customer service in our industry by September 2005. While we have not achieved our goal we have come a long way.

The objective was always ambitious. At the time our infrastructure was in need of an upgrade and many of our supporting systems and processes needed strengthening. We have made significant progress but there is still a lot more we can do.

In December 2004, we discussed how to take the Westpac mission beyond September 2005. As a result, 'to be number one in customer service' is our new Westpac mission, and we are formally applying this across all areas of our business.

Three years ago, we also made a commitment to Ask Once – where customers should only have to ask once for the services or advice they need. Since then we have put in place a number of initiatives to support this promise.

Our customer satisfaction score has risen from 69.7% to

**71.2%**

One of the biggest impacts on customer satisfaction in branches is time spent

waiting in queues. So we developed an online tool to allow our people in branches to identify the issues causing queues, and to take direct action to manage them. We have also developed 'Service Online', a single application allowing our employees to resolve customer requests on the spot.

We have also improved our credit card fraud protection processes, boosting protection for our customers against fraudulent transactions on their credit cards.

Our consumer customer satisfaction score has risen from 69.7% to 71.2%, as at August 2005, and Small to Medium Enterprise (SME) satisfaction for the year to September has risen from 63.1% to 66.8%.

### Customer Charter

In September 2005, we launched our revised Customer Charter – the Ask Once Commitments – internally to our people. It will be launched externally in December 2005.

The Ask Once Commitments have emerged from extensive consultation with our stakeholders.

We have developed five key commitments – 'be available for me', 'don't make me wait', 'value me', 'don't give me the run around', and 'solve issues quickly and fairly'. Against each of these commitments are performance measures and a description of exactly what we are doing to meet this commitment.

Next year, we will be reporting on progress against each of these commitments, which will be independently tested and assured against the AA1000 Assurance Standard.

### Customer Committee

Our Customer Committee is a mix of external stakeholders and people from across the business. Over the year the Customer Committee provided input into the decision to have Business and Consumer Banking accredited to the International Customer Service Standard, as well as the review of the Customer Charter. It also discussed the role of the Customer Advocate and our approach to problem resolution.

After a review, the Committee is being restructured. The original structure was not flexible enough to quickly respond to material customer issues as they arise. It also needs broader community representation and should be better aligned to the Community Consultative Council.

### Customer Advocate

This year, we have strengthened the independence of Westpac's Customer Advocate by establishing this position as a separate role whose sole function is to champion the cause of the customer.

Over the year, the Customer Advocate was pivotal in investigating and fixing systemic problems in our complaints processes.

### Customer complaints

We continued to improve the way we handle complaints. We are developing new processes and training for our Contact Centres to improve the capture and resolution of complaints. Early results from the first two months of the year are promising.

Our front-line people are empowered to make common sense decisions to resolve complaints at the first point of contact with customers. We have also made our National Customer Relations Unit the first and last point of escalation for complaints, to ensure customers have one point of contact, rather than being passed from department to department.

We have also established a systemic issues register to ensure senior level ownership and resolution of the issues identified through customer complaints.

We have increased the percentage of complaints resolved within five working days from 81% to 83% and complaints resolved at the first point of contact has gone from 60% to 73%. The percentage of Banking Ombudsman disputes resolved without Ombudsman investigation has also increased from 91% to 94%.

### **Equity and access**

We continually monitor our branch network to ensure we meet the changing needs of our customers. This year, we have increased our number of branches to 813 in 2005, from 812 in 2004. Next year we plan to open six new sites in Queensland, Victoria and Western Australia.

We have also increased the number of branches with extended opening hours. Saturday trading is available in 222 branches and in-stores, up from 199 in 2004. An additional 18 branches now open on Thursday evening and 21 branches open early on pension days to reduce the wait for customers collecting their pensions.

A new section on our website, 'Accessible Services' provides information for customers with special requirements; people with disabilities, requiring language assistance, low income and vulnerable members of the community.

### **Fees and charges**

When customers purchase a financial product or service from us we want them to understand the fees that apply.

Our Banking Services Guide provides details on the range of services we offer and clear information on our fees and charges. Fees are also set out within our Product Disclosure Statement or our Statement of Advice.

Our Financial Services Guide sets out the fees and charges we charge customers, fees we pay to referrers, fees and benefits we receive from other companies, and how fees are calculated. It includes information on other benefits our staff receive such as cash bonuses, a share of revenue, prizes, rewards and other incentives.

Late in the reporting period the Australian Consumers' Association drew attention to the use of account penalty fees (dishonour, late payment, over-limit and similar) by banks and credit unions. These fees receive particular recognition within Westpac. The credit card late payment/missed payment fee, the credit card over the limit fee, the outward dishonour fee, the account overdrawn fee and the arrears

notice fee together make up one of the top five issues captured by Westpac's systemic issues register, which is based on customer feedback. In response, the Customer Advocate, the National Customer Relations unit and the Social Advisory Group advise the business whenever it considers any change to any aspect of these fees.

### **Improving access for people with a disability**

Through our Disability Discrimination Action Plan (DDA), we actively consider disability issues as an integral part of developing and refurbishing our premises. We are also working to ensure that all metropolitan branches are close to a disability compliant transport hub, like a railway station, and all of our regional sites are accessible.

As at 30 September 2005, 264 sites have been made accessible for people with a disability, 121 sites are under development and funding has been approved for a further 88 sites in 2006.

In 2002, we worked with a number of disability groups to develop and implement Australia's first 'Talking ATM' for the visually impaired. We currently have 11 Talking ATMs across Australia, with four in Victoria, six in New South Wales and one in Queensland. Under our DDA, we have committed to having 75 Talking ATMs in place by the end of 2005 and 150 by the end of 2006.

We have recently certified a new ATM Operating System. This is a key building block for widening our coverage of fully audio-enabled ATMs. We will be piloting this new platform in November 2005. If successful, all new ATMs in 2006 will have this capability.

### **Financial inclusion**

We provide a number of products for low income and vulnerable members of the community.

#### **Community solutions**

We provide a range of discounts and benefits for community organisations. These include the Society Cheque Account, Cash Management Account Investor Option, BusinessChoice Credit Card, EFTPOS Advantage and EFTPOS Advantage mobile and an Employee Benefits Card.

We have also developed a guide for community treasurers in conjunction with Our Community, a company that provides products, services and advice to community and non-profit organisations. This guide covers keeping the books, asset registers, cash flow and tax.

#### **Deeming Statement account**

The Deeming Statement account offers eight free withdrawals per month, unlimited free deposits, no monthly service fees, and credit interest based on the Government's Deeming rates. Customers need to hold a valid Pensioner Concession Card or Health Care Card to open the account. Customers aged 55 and over and retired from the workforce are also eligible to open Deeming Statement accounts.



### Social safety net account

In 2005 we replaced our Basic Banking account with Westpac One Basic. This is a social safety net account for customers who hold a Pensioner Concession Card or Health Care Card. It offers unlimited fee-free withdrawals and deposits, up from 20 with the previous Basic account, and has no account keeping fee.

Importantly it is also linked to an optional savings account with no monthly service fee, which provides a bonus interest incentive of 4%.

The proposal to move customers to the new account was closely examined by our Social Advisory Group. Our records indicated that a number of existing Basic Banking customers were no longer eligible for the provisions of the Basic account. Special care was taken in ensuring customers were fully aware of the need to prove eligibility before being moved into the new account. If no proof of eligibility was provided, customers were moved to the standard Westpac One account.

### Disability benefits

We make it easier for customers on a disability pension to transact in our branches by charging a reduced fee of \$0.65 (normally \$2.50) on excess staff assisted withdrawals. This benefit applies to our Basic, Deeming Statement and Classic accounts.

### Youth and student benefits

We offer a range of benefits to high school and tertiary students, workers under 21 and university graduates via our youth and student services. Central to all the packages is a monthly service fee-free transaction account, with additional benefits for savings accounts, credit cards and personal loans.

We also provide a free guide called 'Getting Your Money Sorted', co-authored by two leading young people's financial experts, Samantha Brown and Robert Kiyosaki.

### Dealing with financial hardship

We know that financial hardship can sometimes happen due to circumstances beyond the control of customers. We have a special team within our Collections area to assist customers by negotiating altered payment terms and

extending the time customers have to pay.

We also allow for the impact of sudden and unexpected events. Our Natural Disaster Relief Pack provides a package of financial assistance and concessions for customers affected by a natural disaster.

In 2004-05 it was provided to customers in the Gold Coast, the NSW North Coast, Eyre Peninsula, Narrabri and for workers affected by a fire at Norply Timber Company in Kyogle in northern NSW.

Within our Collections team in Adelaide, our Financial Awareness Workshops continue to grow. We delivered eight workshops to schools and hope to provide the workshops to parent groups in 2006.

We have also developed 'train the trainer' sessions for contact centre staff interested in facilitating the workshop, a facilitator's guide and Financial Awareness Workshop Guidelines.

### Consumer lending with a high social benefit

In addition to the products and services above and consistent with global reporting practices, we consider the provision of home mortgage lending to deliver positive social benefits to the community. At the year end, our home mortgage lending totalled \$99 billion.

We have also been involved in the No Interest Loans Scheme (NILS) in Tasmania since 2002. This provides interest-free loans between \$300 and \$1,000 to people who can't afford to buy personal or household goods. In 2005, NILS made its 1,000th loan through this program. NILS is supported by the Tasmanian Government and Anglicare and administered by the NILS network of Tasmania.

Within the year we also provided financial support to NILS to support a student conference on Microcredit, as part of the UN Year of Microcredit.

### Business Banking

Small businesses are the economic lifeblood of Australia, and offer challenges as well as potentially great rewards. Business Banking is about more than just offering the right product or service; it is about being flexible and adaptable in our response.

### Business lending risk policies

Within this portfolio we manage a continuum of risk including transactional, credit and environmental risks.

Two distinct approaches are applied in the risk assessment and approval process. Larger and more complex transactions, including those with high social or environmental benefit or risk, undergo detailed analysis of customer and facility risk. Volume and more routine transactions undergo varying levels of analysis as determined by the nature of the request and the level of assessed risk involved.

We also insist on a separation of the credit approval process from frontline management.

### Assisting small business in Australia

We continue to provide our popular Beyond Survival course, a practical two-day workshop on improving the financial management of any small or medium-sized business. This year, 1,108 participants attended these workshops.

We also ran two programs for Indigenous groups in Nhulunbuy and Darwin, and presented the program to staff and customers in Fiji.

The Central Murray Area Consultative Committee (CMAACC) in Victoria and Young



**We now offer unlimited fee-free withdrawals and deposits to disadvantaged Australians**

Farmers in NSW sponsored programs held in Swan Hill, Moulamein, Bourke and Wentworth. We also worked with the NSW Department of State and Regional Development to finance a drought program in Goulburn at minimal cost to the attendee.

**16%**  
of our total  
business lending  
directly supports  
small business

#### Women in business

We offer a number of tailored products and services for women in business. In October 2004, we conducted a specially adapted Beyond Survival workshop with 15 participants. The feedback was that most women in business did not want gender segregation. So we have

no plans to repeat the workshop at this stage.

#### Australian entrepreneurship

We are the principal sponsor of the Global Entrepreneurship Monitor (GEM) Australia Report. This report is an annual independent measure of entrepreneurial activity in Australia, outlining the challenges and opportunities for policy makers, business leaders, researchers and educational leaders.

In 2005, the report found that despite some examples of excellence, as a whole our national entrepreneurial performance is at best mediocre.

We used the findings to examine what products and services we can offer specifically targeting dynamic, early-stage businesses.

#### Business lending with a high social benefit

We believe that supporting small business in Australia boosts the social and economic health of our communities.

As at September 2005, 16% of our total business lending directly supports small business. This is up from 14% last year.

#### Institutional Banking

##### Institutional Banking risk policies

Our institutional lending criteria includes 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 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.

We are also the sole Australian signatory to the Equator Principles, a framework for assessing social, ethical and environmental risk in project finance. More detail on our progress in applying the Principles is included within the Environment section of this report.

#### Institutional lending with a high social benefit

In total, institutional lending with a high social benefit (that is products and services where special ethical or sustainability criteria apply) for this period was \$5 billion, comprising 26% of our total institutional lending and up from \$3.5 billion in 2004.

#### Wealth management

BT Financial Group manages Westpac's wealth management operations in Australia. BT was acquired by Westpac in 2002 and integrated with Westpac Financial Services and Rothschilds.

#### Provision of financial advice

Earlier this year, Westpac's financial planners became part of the BT Financial Planning business. Much work was done over the past two years to ensure the Financial Planning business has the technical support, processes and systems in place to deliver market-leading financial advice to customers.

#### Trailing commissions

Commission is paid by BT to licensed financial planning groups and advisers for the sale of BT products. Specific disclosure around commissions payable is included in Product Disclosure Statements for all BT products.

Westpac Financial Planners must disclose the following:

- all commissions paid to Westpac in dollar terms;
- the planner's proportion of this commission (revenue);
- advice fees and the planner's entitlement;
- shared planner remuneration; and
- referral fees paid to third parties such as accountants and solicitors.

In addition, planners must also disclose other benefits such as bonuses, trips, and prizes.

#### Alternative remuneration

The Investment and Financial Services Association (IFSA) standard on alternative remuneration was implemented on 1 January 2005. BT has developed a policy and systems to comply with the standard. This includes the development of an intranet-based database to capture payments of all alternative remuneration as defined by the standard. The policy was rolled



out by BT Compliance in late 2004 and included specific training for our people to ensure they were fully aware of their reporting responsibility.

#### **Proxy voting policy and disclosure**

BT regards corporate governance and the exercise of its voting power as a part of the investment management process and investment decision. While BT will not become involved in day-to-day management issues, we recognise that it is possible to influence companies on matters of corporate governance by virtue of shareholdings under our management.

BT's Investment Management policy in relation to proxy voting is available online. BT also publishes a summary of all Australian proxy voting records for the previous year on an annual basis.

#### **Asset management with a high social benefit**

BT offers investors two types of Socially Responsible Investment (SRI) products. The first uses a 'Best of Sector' approach, supporting the most sustainable companies within each industry sector as determined independently by Monash Sustainability Enterprises (MSE). The second involves a screening approach where both positive and negative screens are applied to enable investors to either actively avoid or support certain industries or areas of investment.

In December 2004, BT's Institutional Australian Sustainability Share Fund was awarded the 2004 Ethical Fund of the Year by Ethical Investor Magazine. This award evaluates the financial performance of the fund, the sustainability credentials of the companies held by the fund and the commitment by Westpac and BT to corporate social responsibility and socially responsible investing.

BT's flagship ethical fund, the BT Institutional Ethical Sector Trust, is ranked number one in Mercer's survey of Socially Responsible Investments over one, two and three years (as at 30 September 2005).

All of BT's Socially Responsible Funds have been awarded the SRI Symbol by the Ethical Investment Association (EIA). The SRI symbol will allow consumers to have confidence that BT's SRI products meet strict disclosure standards as determined by the Australian Securities and Investments Commission (ASIC).

BT is also a leading provider of superannuation products, both to the retail and institutional markets. Consistent with global reporting practices, we consider that these products provide a high social benefit in helping Australians manage their retirement incomes and needs.

Assets under management with a high social benefit totalled A\$13 billion.

#### **Governance Advisory Service**

The BT Governance Advisory Service (GAS) is an investment risk management overlay service developed to address portfolio exposure to

corporate, social and environmental governance risks on behalf of institutional investors.

GAS addresses these risks via both specialist research and, where mandated, through constructive dialogue with companies.

In the last two years, GAS has undertaken detailed research into audit governance, environmental risk management disclosure, workplace health and safety risk management, human rights and supply chain issues, the use of electronic gaming machines, business ethics, director conflicts of interest and director share trading. **W**

## CUSTOMERS

### To do – 2006

#### Objectives

- Implement 75 Talking ATMs by the end of 2005 and 150 by the end of 2006.
- Review and report on the Ask Once Commitments, including assurance against the AA1000 Assurance Standard.
- Adopt the enhanced Customer Committee structure and initiate meetings.
- Grow SRI funds under management by 20% in 2006.
- Top quartile customer satisfaction.



The SRI Symbol signifies that a product or service offers an investment strategy that takes into account labour standards and/or environmental, social or ethical considerations when selecting, retaining or realising investments. The SRI Symbol also signifies that BT Financial Group has adopted SRI disclosure practices required under the SRI Symbol Certification Program for Fund Managers.

**Westpac**

Can we  
see the  
wood for  
**the trees?**

In a new initiative to tackle the environmental impacts of our operations, **John Dunne**, Head of Electronic Channels Development, and his team are encouraging our internet banking customers to stop receiving paper statements and help us help the environment.



When we launched our Great Paper Challenge in January 2004, we were aiming to reduce the amount of paper we use in and around the office, and increase the amount of paper we recycle. In 2005, we have now extended the Great Paper Challenge to both our customers and our shareholders.

In 2005, we began looking at how we could extend our Great Paper Challenge into the wider community. In particular, we looked at what we could do to reduce the number of paper statements we send to customers.

The 'e-statements' initiative, a vision of John Dunne and his Electronic Channels Development team, targets the 1.9 million customers who use our internet banking services.

Launched in June 2005, 'e-statements' provides our internet banking customers with the option of receiving banking statements electronically, rather than in the mail.

At Westpac Online, customers can also view their statements for the previous 18 months.

Not only is this initiative good for the environment but it has also been welcomed by our customers with open arms.

By September 2005, 104,000 customers had opted for electronic statements, including 5,400 of our own employees. This has cut our paper consumption by over 5 tonnes, and eliminated 14 tonnes of greenhouse gas emissions.

The potential bottom-line benefits are also enormous. We estimate that over the next four years the e-statements initiative will save \$4 million in statement printing and postage costs.


To kick-off the e-statements initiative and further encourage customers to opt out of paper statements,

Westpac donated \$50,000 to Landcare Australia to support tree planting and revegetation projects at a property near Yass in Southern NSW.

Since the project began, John and his team have personally been out to the property to help out as part of their community volunteering activities. The focus of the project has been to reverse land degradation and improve stream quality and increase biodiversity. It will also help restore remaining patches of vegetation and provide habitats for native animals.

In 2006, we will be widening our focus to other products, such as credit cards and mortgages, to determine whether more paper can be saved from these statements.

Across our business, we are also focusing on the impact of shareholder communications. We have begun offering shareholders the option of receiving all shareholder information electronically. We now have in excess of 40,000 shareholders, or nearly 15%, who have provided us with their email address. And, the number is increasing at a rapid rate.

In 2005, we will also be ensuring that our annual financial reporting is 'carbon neutral', meaning it will result in no net carbon emissions. We will achieve this by planting trees or by investing in climate friendly carbon credits, which offset these emissions. 

# Environment

It may be outside but at Westpac we don't view the environment as some so-called 'externality.' Managing our environmental footprint goes straight to the bottom-line. The bigger picture – climate change – presents some critical risks but also real business opportunities.

## Report Card

**Westpac**

### ENVIRONMENT

2004 Objectives	Comments	Results
<ul style="list-style-type: none"> <li>Complete review of our Environmental Management System in 2005.</li> </ul>	<ul style="list-style-type: none"> <li>To be completed by end 2005.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Finalise review of our Quarterly Procedures, Definitions and Responsibilities Manual for greenhouse gas reporting.</li> </ul>	<ul style="list-style-type: none"> <li>Completed November 2004.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Reduce paper consumption by 5% and increase paper recycling by 2.5%.</li> </ul>	<ul style="list-style-type: none"> <li>Paper consumption increased by 6%.</li> <li>Recycling increased by 17%.</li> </ul>	✗ ✓
<ul style="list-style-type: none"> <li>Improve and strengthen our water consumption reporting.</li> </ul>	<ul style="list-style-type: none"> <li>We continue to progress reporting on water consumption.</li> </ul>	IN PROGRESS
<b>Aspiration target</b>		
<ul style="list-style-type: none"> <li>Reduce our total greenhouse gas emissions by 5%.</li> </ul>	<ul style="list-style-type: none"> <li>Reduced by 9%.</li> </ul>	✓

## Environmental Value Links



### Environmental performance

This year, we have reduced our greenhouse gas emissions to 124,500 tonnes of CO<sub>2</sub>, down from 136,400 tonnes in 2004. This represents a reduction of 9%, exceeding our target of 5%.

In 2005, we began purchasing Green Power with 5000 MWh of electricity generated from renewable energy sources. This initiative alone reduced our annual emissions by 5,300 tonnes of CO<sub>2</sub>.

We also reduced our total building portfolio which led to a significant drop in greenhouse emissions from electricity consumption.

Within the reporting period our gas consumption increased to 25,100 GJ, up from 22,800 GJ in 2004. This was partly due to a faulty controller in one of our buildings which accounted for around 35% of our total NSW gas consumption.

Our new Facility Managers have now upgraded the building's controls and installed a new building management system which should eliminate future problems.

We have reduced  
our greenhouse gas  
emissions by  
**8.7%**  
exceeding our  
target of 5%

We have recently undertaken a benchmarking exercise for our major buildings using the Australian Building Greenhouse Rating Scheme. We are now in a better position to target our energy efficiency efforts towards the poor performing buildings.

While we were pleased to see tonnes of paper recycled increase, our total paper consumption increased from 4,700 tonnes in 2004 to 5,000 tonnes in 2005, with sheets of photocopy paper per person also increasing from 9,500 to 10,100. We are examining the factors contributing to these shifts in paper performance.

### Environmental policy

Our environmental policy, first published in 1992, was reviewed and re-released in 2001.

Our policy and management system covers areas such as measuring and reporting on our performance, environmental considerations in our risk management framework and includes

a commitment to meet or exceed relevant standards in all countries where we operate.

@ Full details can be found under the 'Westpac info' tab of our website at [www.westpac.com.au](http://www.westpac.com.au)

### Environmental governance

Our Environmental Management System (EMS) was founded in 2002 and is based on ISO 14001.

The Board Corporate Responsibility and Sustainability Committee (BCRSC) oversees environmental performance and ensures environmental commitments are promoted and maintained across the Group. During the reporting period the BCRSC focused on a number of issues, including our environmental commitments and principles, the review of our EMS and the environmental performance of our office portfolio.

Our Community Consultative Council also plays a significant role in setting Westpac's sustainability priorities. In 2005, climate change, water and the supply chain were identified as current and emerging environmental issues.

Our Environmental Advisory Group (EAG) has been in place since 2001 and is central to the management of operational issues. This year, the EAG has overseen a high level review of Westpac's EMS. We will report back on recommendations arising from this process, as well as our response, in our next report.

During the reporting period, the operations of Westpac were not subject to any particular or significant environmental regulation under any law of the Commonwealth of Australia or of any State or Territory of Australia. We have not incurred any liability (including rectification over land for the recovery of loans) under any environmental legislation.

### Environmental reporting

In 2005, we have continued to extend the scope of our environmental reporting with the inclusion of recycling data for both toner cartridges and fluorescent light bulbs.

This year, we are also participating in the pilot process for the revised UNEP FI-GRI Environmental Indicators. We will be reporting back to the working group on our experience in reporting against new and amended

performance indicators. We are also adapting our environmental reporting to the revised VFU framework.

Since 1997, we've reported on our greenhouse gas emissions using the methodologies and approach of the Australian Government's Greenhouse Challenge program.

Within the year, we have completed a review of our Quarterly Procedures, Definitions and Responsibilities Manual. This sets out processes and procedures for the measurement and reporting on our direct environmental impacts.

### The Equator Principles and environmental risk

We remain the only Australian signatory to the Equator Principles, a framework for managing environmental and social risk in project finance.

During the 12 months to 30 September 2005, 13 project finance transactions were closed. The assets being financed were all located in Australia and the Pacific Islands. Six were greenfield developments, one was finance for the acquisition of an existing asset and six involved the refinancing of an existing asset.

Four of the transactions had a capital cost below the Equator Principles threshold of US\$50 million. The asset classes involved were tollroads, gas transmission, electricity generation, mining and oil and gas production.

Our roles in these transactions included Joint Lead Arranger and Underwriter, Participant and Sole Lender. While a number of transactions were declined during the past year, none of these was primarily as a result of environmental concerns.

We provided training on the Equator Principles to 13 representatives from Project and Structured Debt, Syndications, Relationship Management, Portfolio Management, Credit Policy and Credit Approvals.

@ Further details are included within the Factpac section of this report, and under the 'Westpac info' tab at [www.westpac.com.au](http://www.westpac.com.au)

### Climate change

We believe that climate change is not just an environmental problem, it is also a fundamental economic issue posing various risks to business.

In 2005, our climate change response remains focused on three primary components:

1. measuring and reporting on our environmental performance;
2. anticipating and responding to changes in trade and regulatory frameworks; and
3. identifying and responding to emerging business risks and opportunities.

For the second year in a row, Westpac was among 60 companies worldwide included in the Carbon Disclosure Project's (CDP) Climate Leader's Index. The CDP, on behalf of 155 institutional investors representing \$21 trillion in assets, gathers information on exposure to climate change risks, and how companies are managing them.

@ Our full response to the CDP survey, including our position on climate change issues, key activities and performance, is available at [www.cdproject.net](http://www.cdproject.net)

### Biodiversity

We strongly support initiatives to maintain and restore Australia's unique biodiversity, through our day-to-day risk and lending practices; and through our employee involvement program, Operation Backyard.

In August 2005, we provided input into the NSW Government's pilot Biodiversity Trading model. We see enormous potential more broadly in using trading and market mechanisms to achieve environmental goals.

Operation Backyard, established in partnership with Landcare Australia, provides funding for the protection of our biodiversity through habitat restoration projects.

Since it began in 1998, we have provided around \$1 million to help 236 environmental projects in local communities across Australia.

@ More information is available in our community involvement booklet at [www.westpac.com.au](http://www.westpac.com.au)

### Water

We believe that water scarcity is the biggest environmental issue facing Australia now and into the foreseeable future.

We are members of the Sydney Water 'Every Drop Counts Program' and have implemented a number of water saving initiatives. Westpac piloted a new waterless system for cleaning urinals which saves up to 150,000 litres of water a year for each urinal. In conjunction with our building owners and the water authorities we will be reviewing the system's results.

Within our larger corporate buildings in the Sydney CBD we have also installed water saving devices on taps and showerheads to increase water efficiency.

Over  
**90%**  
of respondents  
stated they thought  
Westpac should offer  
environmentally  
friendly products and  
services to customers





Water consumption data is still proving to be a major challenge in our environmental reporting. Data quality remains unsatisfactory due to the difficulties in sourcing accurate and timely information from our numerous landlords.

As a result, we have again withdrawn water data from this report. We will be asking our new Facility Managers to ensure that this data is made available as a priority for 2006.

### **Market-based instruments and environmental outcomes**

Our Environmental Markets Group focuses specifically on trading in environmental mechanisms, including carbon credits. This includes participation in Australia's only national environmental market, the Renewable Energy Certificate (REC) market.

In December 2004, State and Territory governments in Australia announced the formation of an inter-jurisdictional working group to investigate the establishment of a state-based, national emissions trading scheme.

We attended the first community consultation session in October 2005 and will be providing detailed feedback to the working group in late 2005.

### **Assets under green management**

Through BT Financial Group, we offer a range of Socially Responsible Investment (SRI) products, including the BT Institutional Australian Eco Share Fund. The product applies a 'best of sector' approach, investing in those companies that operate in a more environmentally friendly manner. As at September 2005, we had \$37 million under green management, representing 0.16% of total assets under management.

### **Communication and advocacy**

We believe that we are in a strong position in the economy to positively influence long-term environmental change.


In February 2005, we invited our employees, suppliers and government and non-government stakeholders to our first Sustainability Seminar, the Westpac Environment Day.

In June 2005, over 620 employees voluntarily completed a short online survey on what role Westpac should play in responding to environmental issues.

Overall, our people thought we should be focusing on waste management internally and climate change, water issues and biodiversity externally. Over 90% of respondents stated they thought Westpac should offer environmentally friendly products and services to customers, and 87% thought we should promote environmental awareness for employees at home.

In 2005, we joined with the Mayors of the City of Sydney, North Sydney and Parramatta Councils in the 3CBDs Greenhouse Initiative. We have since met our initial commitments by achieving a 5-star Australian Building Greenhouse Rating for our three CBD tenancies covered by the Initiative.

We are participating in the Australian Conservation Foundation's 'Climate Change Roundtable', promoting informed discussion and action to address climate change challenges faced by Australian business. The resulting study, due out in 2006, will examine the impact of deep cuts in greenhouse gas emissions on the Australian economy.

We are also contributing to the debate on energy infrastructure in Australia through the CSIRO's 'Energy Futures Forum', which is exploring the potential social, environmental and economic impacts of the Australian stationary energy and transport industries over the period to 2050. 

## ENVIRONMENT

# To do – 2006

### Objectives

- Respond to recommendations from the review of our Environmental Management System.
- Continue to reduce paper consumption and increase paper recycling through the Great Paper Challenge.
- Develop an energy efficiency strategy to target poor performing buildings.
- Improve and strengthen our water consumption reporting.
- Reduce our total greenhouse gas emissions by an additional 5%.




Benefits to  
the community

# addup



Since 2003, Westpac has been helping young people around Australia to better manage their money and avoid financial pitfalls through our financial literacy program, Financial First Steps™. In a new initiative, **Keryn Myers**, Westpac's Head of Responsible Lending is now looking at how the workshop might be adapted for disadvantaged groups in the community.



Using the experience we have gained through Financial First Steps™, Westpac is now working with staff at the Mission Australia Centre Surry Hills in Sydney to develop a financial literacy program for disadvantaged groups in the community.

**S**ince 2003, Westpac has been helping young people around Australia to better manage their money and avoid financial pitfalls through our financial literacy program, Financial First Steps™.

Westpac is now working with Mission Australia to gauge how this successful program might be adapted for disadvantaged groups in the community, and further deepen our relationship with a key community partner along the way.

Westpac works with Mission Australia on many levels, from promoting its Winter and Christmas Appeals to our customers, to the creation of innovative employee volunteering projects that have yielded significant value.

Following initial discussions with Mission Australia about the special needs of a group of men who are involved in the Centre's early intervention program, an informal workshop was convened so that we could learn first hand about their experiences.

We were encouraged by the level of initial interest. Around 14 men chose to attend the initial workshop at the Mission Australia Centre Surry Hills.

At the workshop, Keryn Myers and Graham Paterson, Head of Corporate Responsibility and Sustainability, spoke to the participants about spending habits and basic money management skills. The group also explored the issue of

which types of bank accounts are best, what identification is required to open an account, bill payments and how best to put aside savings.

As a result of this initial session, we are developing materials that will be freely available to Mission Australia clients and staff.

This will include brochures and further information on general banking services for Mission Australia staff and clients to have on hand to use whenever the need arises. This approach is used as the workshop format is not always the most appropriate medium, as clients and staff need flexibility to take into account their individual needs and situations.

Following the success of this initial workshop, Mission Australia is keen to make a CD ROM version of Financial First Steps™ available to young people around Australia as well as its own staff. Like the workshop, the CD covers a wide range of topics including budgeting, saving, compound interest, risk and spending.

This initiative has provided Westpac with rich information on the challenges faced by various groups in the community in accessing our banking products and services. It is only with practical experience like this that we can truly provide stronger community services and help our customers build financial prosperity more generally. 

# Social

Westpac has been part of Australian daily life since 1817. We want people to keep wanting us around – and we think we have a positive contribution to make. At the same time, staying close to the communities in which we operate means we benefit from their energy, innovation – and continued goodwill.

## Report Card



### SOCIAL

2004 Objectives	Comments	Results
<ul style="list-style-type: none"> <li>Provide value to our community partners utilising our networks, resources and expertise and engage staff to support their efforts in the community.</li> </ul>	<ul style="list-style-type: none"> <li>Initiated a number of new programs.</li> </ul>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Finalise and publish case study on Westpac's performance against the principles of the Global Compact.</li> </ul>	<ul style="list-style-type: none"> <li>Completed and submitted to the Global Compact.</li> </ul>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Review and report on our human rights performance against 'Just Business' and the OECD Guidelines for Multinational Enterprises.</li> </ul>	<ul style="list-style-type: none"> <li>Initial review undertaken.</li> </ul>	IN PROGRESS
<ul style="list-style-type: none"> <li>Respond to key findings from the review of our Cape York partnership.</li> </ul>	<ul style="list-style-type: none"> <li>Currently implementing a number of initiatives.</li> </ul>	IN PROGRESS
<b>Aspiration target</b>		
<ul style="list-style-type: none"> <li>Maintain total community contributions above 1% of pre-tax profits.</li> </ul>	<ul style="list-style-type: none"> <li>Community contributions at 1.4% of pre-tax profits.</li> </ul>	<input checked="" type="checkbox"/>

## Social Value Links



### Community involvement

We believe investing in the community is not only part of our corporate responsibility, it is necessary for us to maintain a sustainable business. We embed community involvement into our business model and it has become part of our organisational culture.

That's why we've put in place community programs that are focused on achieving long-term positive outcomes for society, as well as for our employees, customers and shareholders. In 2005, our community contributions totalled 1.4% of pre-tax profits. The core components of our community involvement strategy are employee involvement, community partnerships and capacity building. Community contributions totalled \$44 million in 2005.

@ Detailed information on our community programs, partnerships and local outreach activities are reported in our 2005 Community Involvement Report, available under the 'Westpac info' tab at [www.westpac.com.au](http://www.westpac.com.au)

### Employee involvement

We provide our employees with community leave and flexible working conditions to let them undertake volunteer work with not-for-profit organisations of their choice.

Community contributions totalled **\$44m** in 2005

Individuals and teams take up this opportunity in many different and innovative ways, from brightening up temporary accommodation for homeless people to restoring natural habitats in local parks.

Employee surveying indicates that two out of three Westpac employees undertook some form of community volunteering last year, while a total of 2,605 community leave days were logged through our leave system. Around one third of our people also use work-related professional skills or mentoring programs to benefit community organisations.

To help raise awareness of volunteering opportunities, a network of around 300 Community Champions across Australia provide information and support to employees in their local areas.

Westpac Matching Gifts is our largest giving program and one of the most comprehensive corporate-giving programs of its kind in Australia. Under this program, we match the donations of our employees, dollar for dollar, to any tax-deductible Australian charity.

Through donations from employees and Westpac Matching Gifts, 382 charities received \$2.6 million within the year. Since the program began in 1999, \$9.3 million has been distributed.

We have also extended a successful local fundraising initiative 'Casual for our Community', whereby employees donate for wearing casual clothes on a nominated day each month. Within the year, 29 charities around Australia received \$28,895 through this program.

We recognise and reward outstanding contributions by employees to the community through our annual CEO's Awards. Individuals and teams receive special awards and the community organisations they work with receive financial support.

In 2005, we extended the scope of these awards to include categories in environment and innovation, both to recognise the efforts of our people in these areas, but also raise awareness internally on how corporate responsibility applies in practice within our business.

### Community partnerships

Our community partnerships program is based on the premise that we can make a bigger impact on society by working closely with several key community groups over the long term, than by providing support on an ad hoc basis.

Many of our community partnerships span decades. We work with The Salvation Army, The Smith Family, Mission Australia, Landcare Australia, Juvenile Diabetes Research Foundation, Australian Mathematics Trust and Indigenous Enterprise Partnerships. Our sponsorship of rescue services in New South Wales, Victoria and Queensland was extended this year to include Tasmania and South Australia.

We use our resources, networks and expertise to strengthen the capabilities of our community partners to address the areas of need they work within.

Our contributions to community partners vary from financial support, in-kind donations and pro bono services, to capacity-building, knowledge transfer and corporate volunteering. We continually seek ways to add value to their organisations and we use our sphere of influence to make mutually beneficial connections with other businesses in our supply chain.

One of the ways we help our community partners is by raising public awareness of their appeals. Most Westpac branches have a community stand which displays posters and fliers for our community partners on a rotational basis during the year, and we accept over-the-counter donations from customers. We also promote our partners via the Westpac website and by distributing donation envelopes in credit card statements throughout the year.

### Capacity building

Our capacity building initiatives provide community groups with access to specialised business and finance tools and training. We aim to help them improve their operational effectiveness and grow their capacity to deliver community services and support.

We provide onsite workshops for community groups led by an international expert, to help them analyse their operations and identify opportunities for process improvements. The Salvation Army and Mission Australia both participated in workshops this year.

We bring together executives of not-for-profit groups at a financial management workshop held by the Macquarie Graduate School of Management. This year, 18 community leaders participated in this workshop, which also provides a forum for discussing the business

challenges of the not-for-profit sector.

Our Beyond Survival financial workshop for small business is also available to selected community organisations, free of charge.

We also provide a range of services for low income and vulnerable members of the community as set out on pages 22 and 23.

### The Asian earthquake and tsunami

The devastating events of December 2004 were shocking to people all around the world. In January 2005, Westpac announced a total commitment package of at least \$1 million to support relief efforts for the communities so terribly affected in our region.

Our package included an upfront donation of \$250,000 to the Oxfam Australia Asian Tsunami Appeal. We also collected donations for the appeal through branches and online, with over \$9 million collected through our network.

We waived all fees associated with donating to the tsunami appeals, including merchant service fees, to ensure aid agencies were not out of pocket. Under our existing Community Solutions banking package, no bank fees are charged on accounts held by community organisations raising funds for the tsunami appeal.

We enabled our existing Westpac Altitude credit card customers to use their accrued Altitude reward points earned on Altitude Mastercard, American Express and Visa cards to donate to the Oxfam Australia's Asian Tsunami Appeal.

Through our Matching Gifts program, our employees donated \$355,000, which we matched for a combined total of \$710,000.

Further funding of project and redevelopment initiatives, yet to be allocated, will take the total Westpac commitment to \$1 million.

### Financial literacy

The biggest area where we can help build capacity in the broader Australian community is financial literacy. This is coordinated through our Financial Literacy Working Group, and applies across our community involvement activities, Indigenous partnerships and programs, and through our mainstream business activities.

Our Financial First Steps™ program is our main initiative, and aims to help build basic money management skills for both our employees and the wider community. Developed by our Head of Responsible Lending, this free workshop covers a wide range of topics, including budgeting, saving, compound interest, risk and spending. It uses real-life scenarios of people in different financial situations and examines the pros and cons of different courses of action.

Within the reporting period 85 workshops were conducted bringing the total number of Financial First Steps™ workshops we have conducted to 1,135. We trained an additional 99 people as facilitators during the year, and now have 700 people accredited to run the workshop.

Financial First Steps™ is highly flexible and has been adapted for employees, school students, Indigenous communities, apprentices, and for local community workshops. We continue to explore the many different ways we can adapt and apply the course content.

In 2005, we have adapted the course to an electronic format to allow us to increase its impact. The prototype has been completed and we are looking to launch the final format in 2006.

### Human rights

Our commitment to key human rights instruments is set out within 'Our Principles for Doing Business'. We see our main responsibilities with regard to human rights to lie in a number of critical areas such as employee rights, the right to access finance for vulnerable and disadvantaged members of the community, Indigenous rights, effective corporate

Since the Matching  
Gifts program  
began in 1999,  
**\$9.3m**  
has been  
distributed

governance and the risk of human rights violations within our supply chain.

Throughout the year, we have reviewed our performance against a number of human rights frameworks, such as the OECD Guidelines for Multinational Enterprises. An independent review of our management of human rights was developed as a case study for the United Nations Global Compact. This has been submitted to the Global Compact and will be available on the Global Compact website shortly.

Our policies and management systems address human rights considerations in a number of areas, including unlawful discrimination, equal opportunity and diversity, working conditions, freedom of association, equitable access to banking services, financial literacy and Indigenous rights.

We also review supplier performance via our sustainable supply chain management system and in our mainstream risk approach to lending and investment through specific initiatives like the Equator Principles.

### Indigenous assistance

Our Indigenous assistance program aims to address the educational, financial and employment disadvantage of Indigenous Australians and their specific banking and financial needs. Our involvement is overseen by our internal Westpac Indigenous Working Group.

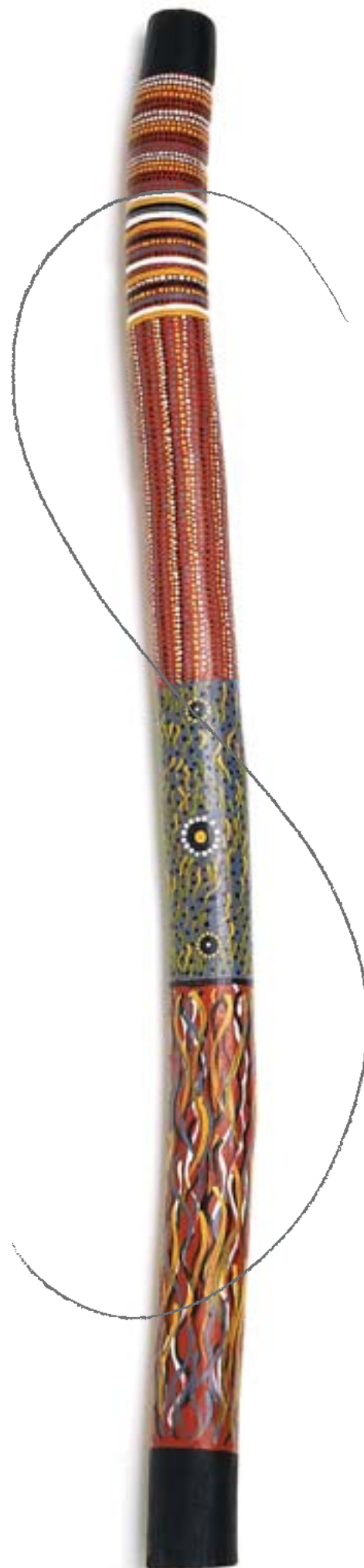
Our main commitment comes through our involvement with Indigenous Enterprise Partnerships in Cape York and through the Indigenous Capital Assistance Scheme, as detailed below. However, we are also involved in a wide-ranging variety of initiatives to support and promote Indigenous economic and social development.

In August 2005, the Australian Securities and Investments Commission (ASIC) granted Westpac a specific exemption under the Financial Services Reform Act to assist with the provision of banking services in remote Indigenous communities.

We were the first financial institution to initiate discussions with ASIC to gain a specific exemption under the Financial Services Reform Act, to ensure we can effectively support remote Indigenous communities accessing financial services and fully comply with the Act.

The exemption was granted under the Corporations Act 2001 and is 'Westpac specific'. It will assist authorised community representatives from remote Indigenous communities providing specific financial services to their community members such as opening bank accounts and identifying the financial account or product that most suits their needs.

Thirty-one remote Indigenous communities throughout the Northern Territory benefited from the decision and Cape York and other remote communities in Queensland will also be able to take advantage of the exemption.



Our initial commitment to the Indigenous communities of Cape York was to provide

**150**  
employees over a three-year period

Another important issue being addressed by ASIC is the practice of 'book-up' particularly in remote Indigenous communities. This involves merchants holding on to a customer's card and pin number and withdrawing money owed directly from the customer's account. In response, we have modified our Merchant Operating Guides and Terms and Conditions to actively discourage merchants from undertaking this practice.

#### Indigenous Enterprise Partnerships

Our main commitment to Indigenous assistance is our partnership with Indigenous Enterprise Partnerships, aimed at

developing financial literacy and economic self-sufficiency through our three primary programs, the Family Income Management (FIM) Scheme, Business Hubs and the Computer Culture Project.

The Family Income Management program now operates within five communities – Aurukun, Coen, Mossman Gorge, Weipa and Hopevale (with Weipa and Hopevale recent extensions in 2005).

During 2005 we have begun working with the FIM Working Group to introduce a new 'banking model' to underpin FIM. This will be supported through locally based FIM Resource Workers and Facilitators, the special exemption agreed with ASIC and through the support of Cairns area branches, which have each adopted a community to work with and mentor.

The Business Hub program in partnership with Balkanu Cape York Development Corporation has also involved over 80 secondees to date in communities right across Cape York. In addition, there are currently three full time fellowship employees working within Balkanu. As at the end of September over 60 business enterprises were being supported by Balkanu.

We have continued to support the Computer Culture project through Cape York Partnerships, with a mix of fellowships and secondments. Computer Culture is a tremendous project conjoining children with families in education.

Our initial commitment to the Indigenous communities of Cape York was to provide 150 employees over a three-year period, to work in the Cape region for one-month periods. As at 30 September 2005, we have supported 143 one-month secondees, 10 two-week David Williams Fellowships, four four-month secondees, 11 one-year fellowships and a full time Project Manager since November 2001.

We have since recommitted to our partnership with Indigenous Enterprise Partners for a further three years. This commitment will allow us to work with our partners to build on the learning and trust of the first three years and build on what we have achieved to date.

As reported last year, toward the end of our initial three-year term we commissioned our assurance provider, Banarra, to review our Cape York program against the AA1000 Assurance Standard. We have since responded to a number of the key findings.

We have conducted a risk assessment of the program as it operates on the ground and subsequently implemented compulsory 4WD driver training in response to one of the key issues identified. We have also instituted an annual onsite review with our partners to agree priorities for the next year. Throughout the year, we have also supported more visits to the Cape by senior executives as well as a Westpac Director.

In 2006, we are looking to complete an onsite OHS review, further strengthen re-entry processes for employees on return from their secondment and involve more senior executives in the program.

@ More information on the Cape York Indigenous Enterprise Partnership is available at [www.westpac.com.au](http://www.westpac.com.au) under the 'Westpac info' tab.





### Indigenous Capital Assistance Scheme (ICAS)

We are nearing completion of two years in delivery of the Indigenous Capital Assistance Scheme (ICAS), an Australian Government initiative under the Indigenous Employment Policy, as administered by the Federal Department of Employment and Workplace Relations.

The scheme aims to support eligible Indigenous businesses with finance from \$50,000 to \$500,000 and subsidised interest for the first three years. In addition, eligible businesses are entitled to free business advisory services and the reimbursement of fees for Professional Services purchased from accredited and registered accountants, lawyers, tax advisers and training supplied by a Registered Training Organisation.

Our accredited Indigenous Capital Assistance Scheme champions have received over **100** enquiries for finance this year

Our national network of specialist Business Bankers who have completed accreditation as ICAS champions have received over 100 enquiries for finance this year.

A key component of the program is the provision of business mentor services through another ICAS partner, Indigenous Community Volunteers

(ICV). ICV assists Indigenous businesses by providing access to business planning, management and technical advice. We encourage our employees to volunteer as mentors with ICV through a mentor site on our Intranet which has information about ICV and how to apply.

### Financial literacy for Indigenous Australians

Many of the problems with financial literacy and education present in the wider community are particularly acute in Indigenous communities. In response, we have developed an Indigenous version of our Financial First Steps™ program. This has been undertaken with the assistance of the community of Coen, utilising components of the original workshop and linking it with stories more relevant to Indigenous communities.

As a key component of the ASIC specific relief, we have also used the 'Banking Story' developed by Westpac, which aims to overcome language barriers by providing illustrations of key aspects of opening and operating a bank account. We have supported this with our 'Let's Talk about your banking choices' program.

### Communication and advocacy

Westpac is a member of the national committee for the 'UN International Year of Micro-Credit' with its particular focus on Indigenous Micro Enterprise Development.

Throughout the year, we have participated in a number of forums to share our experience, help build capacity and improve understanding of the issues. These have included the National Reconciliation Planning Workshop in Canberra, the International Conference on Engaging Communities in Brisbane, Council of Australian

Governments (COAG) APY Lands Taskforce and the Centre for Corporate Public Affairs Tele-symposium series.

Perhaps the one we are most proud of is the Trans-Tasman Indigenous forum conducted in February 2005, in Auckland, New Zealand. As an initiative of the Indigenous Working Group, we hosted a series of meetings between Indigenous Australian leaders and Maori leaders to share knowledge, skills and experience. This enabled community leaders to openly discuss the issues. Feedback from all participants has indicated that this was a very worthwhile experience and one which we will look to replicate in Australia in the future. 

## SOCIAL

### To do – 2006

#### Objectives

- Enhance our product and service offering for the not-for-profit community sector.
- Continue to provide value to our community partners utilising our networks, resources and expertise.
- Launch electronic version of Financial First Steps™.
- Host the second Trans-Tasman Indigenous forum in Australia.
- Maintain total community contributions above 1% of pre-tax profits.



Westpac  
partners

# grow stronger

From a resourcing point of view, small and medium sized businesses often have difficulty committing to responsible business practices. **Craig Wilson**, Chairman of Westpac supplier NetX, turned his initial concerns over our sustainable supply chain assessment process to his advantage – with the support of Westpac people, he improved the resilience of his business and built a strengthened relationship with us into the bargain.

Westpac's sustainable supply chain management process was designed to cater for all suppliers, with the aim of reducing risks in our supply chain, and improving the social, ethical and environmental impacts of both the supplier and Westpac. A nervous digital marketing supplier and SME puts the process to the test; gets closer to Westpac; and derives some real bottom-line benefits.


**A**s a small company, NetX was initially daunted by Westpac's sustainable supply chain assessment process. In particular the company thought it was more geared towards larger corporations who have the time and resources to focus on this aspect of their business. At the same time, they were concerned that if they didn't score well they would not be able to work with Westpac in the future.

NetX completed the survey and were concerned that as expected, their score was on the low side compared to other companies. But they turned this disappointment around and could see the benefits of being benchmarked and also that even with limited resources, this was an opportunity to add value to the business.

Following a meeting with Westpac's Sourcing team, NetX were able to focus on the critical areas and where they were able to make a positive impact: across risk management, governance and ethics, public reporting, community involvement and the environment.

In response, NetX have put together a detailed policy and procedure guide; along with a Board Charter, a Code of Business Practice and a Disaster Recovery Plan. They've also formed a Community Council to look at the community and environmental aspects of the business and an Occupational Health & Safety Committee to look after that aspect of the business.

NetX recently asked to be assessed again and almost doubled their score. They were delighted but the score is only a small part of the story. Overall, NetX have really turned the assessment process to an advantage – well beyond strengthening what was already a great relationship with Westpac.

NetX claim that it has made them more disciplined and given their employees clear guidelines. It has also given them a way to deal with the various risks that their business faces on a daily basis. The company is also viewed more positively by their own employees which is a fantastic outcome when there is limited talent in their industry. And beyond this, it has given them more confidence as managers which will feed through to servicing their clients better and attracting new business. All of which provides them with real business benefits. 

# Suppliers

We don't have factories but we do have 10,000 suppliers. So by getting close to our suppliers and choosing them carefully we can have a major impact on our overall social, ethical and environmental impacts. That also gives us a chance to take both risks and costs out of the supply chain – great for the bottom-line.

## Report Card

**Westpac**

### SUPPLIERS

2004 Objectives	Comments	Results
<ul style="list-style-type: none"> <li>Strengthen our Supplier Forums, and our supplier inter-relationships.</li> </ul>	<ul style="list-style-type: none"> <li>Held Supplier Forum December 04.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Successfully engage those of our top 100 suppliers with sustainability performance gaps by agreeing SSCM action plans.</li> </ul>	<ul style="list-style-type: none"> <li>Instigated a number of Remedial Action Plans (RAPs).</li> </ul>	IN PROGRESS
<ul style="list-style-type: none"> <li>Grow our own knowledge and skill base, and that of our peers, by contributing to, and where appropriate, leading discussion and debate on sustainable procurement policy and process.</li> </ul>	<ul style="list-style-type: none"> <li>Presentations to UNEP FI, attended Green Procurement conference.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Begin identifying those areas of our supply chain that pose the greatest risk to Westpac's sustainability, and target our efforts proportionately.</li> </ul>	<ul style="list-style-type: none"> <li>Began targeting Tier 2 suppliers around environmental issues.</li> </ul>	✓
<b>Aspiration target</b>		
<ul style="list-style-type: none"> <li>Increase the survey response rate within our top 100 suppliers to 100%.</li> </ul>	<ul style="list-style-type: none"> <li>69% of top 100 suppliers have been assessed.</li> </ul>	IN PROGRESS

## Supplier Value Links



### Our supply chain

Our supply chain involves approximately 10,000 suppliers in all industries, from large multinational firms to small, locally operated businesses. Our supply chain delivers goods and services with an annual value of around \$2.2 billion. It is also highly concentrated, with approximately 77% of annual spending absorbed by the 'top 100' suppliers.

We award business on merit and seek to secure products and services on the most appropriate terms. When a Request for Proposal (RFP) process is used to select suppliers, this process considers organisational sustainability, price, quality, delivery and other pre-established criteria, variously weighed depending on the nature of the goods, service or solution being sourced.

### Sustainable Supply Chain Management

Many of our social, ethical and environmental impacts reside as much in our supply chain as within our business. We look for suppliers who demonstrate a commitment to take account of their responsibilities, and work with our suppliers to promote mutually improved social, ethical and environmental performance.

Our Sustainable Supply Chain Management (SSCM) Policy and Guidance Notes were developed in 2003, through a consultative process involving our suppliers and key community and environmental groups.

Our approach is to ensure that our suppliers are aware of the specific environmental, social and ethical risks and opportunities of relevance to their operations and products, and are working to address them.

Our SSCM Steering Committee oversees the operations and direction of SSCM and includes

procurement and corporate responsibility representatives. The committee meets quarterly and recently expanded to include Westpac New Zealand representatives. Employee training, supplier engagement strategies, working with Small to Medium Enterprises (SMEs), and SSCM

in the New Zealand supply chain have been particular issues of concern to the committee this year. This is reflected in our 2006 objectives.

@ Our full Sustainable Supply Chain Management Policy and Guidance Notes are available on our website at [www.westpac.com.au](http://www.westpac.com.au) under the 'Westpac info' tab.

### Accounting for supplier performance

In 2005, we have focused on expanding the reach of SSCM throughout our supply chain. This has involved strengthening the knowledge and skills of our employees, improving the information available to our suppliers, embedding SSCM into the selection of new suppliers, and reaching into the supply chain to extend the scope of SSCM to higher risk and second tier suppliers.

As membership of our top 100 suppliers changes from year to year, we continue to engage new members in SSCM processes. As at September 2005, 69% of our current top 100 suppliers have completed an SSCM assessment, representing 86% of top 100 spend. Discussions are in progress with most of the remainder, and will be pursued with them all over the months ahead.

This focus on our top 100 suppliers ensures the bulk of Westpac's supply chain spend is subjected to the SSCM policy and processes.

In addition to the targeted top 100 suppliers, new suppliers sourced by engaging the market (going to tender) are required to complete the SSCM assessment. This requirement is now fully embedded within our processes, and responses are used in selecting suppliers. Existing suppliers whose contracts are to be extended are also required to undertake an SSCM assessment (subject to contract value) or become familiar with the essentials of SSCM.

Finally, we have undertaken to identify 'higher sustainability risk' suppliers, regardless of their membership of the top 100 suppliers, participation in an RFP or whether contracts are due for renewal, and engage those suppliers in SSCM. Working with our facilities manager, Mowlem Sodexo, our second tier suppliers of property and facilities management will be a focus for assessment and continuous improvement in late 2005 and 2006.

Our supply chain  
delivers goods  
and services  
with an annual  
value of around

# \$2.2bn

This will enable us to increase our engagement of suppliers that significantly impact our environmental footprint, and to develop a reusable process for working with tier 2 suppliers.

### **The policy in practice**

This year we have continued to focus on increasing the skills and knowledge of our employees and supporting our suppliers. This resulted in an improvement in the quality of SSCM assessments, and also a greater ownership of the results, both positive and negative. Ownership is a great enabler of action, and many of our suppliers have demonstrated this by taking significant actions to improve their sustainability.

Of the 2004-05 top 100 suppliers assessed by SSCM, 41% have demonstrated high levels of sustainability, or have implemented or agreed to continuous improvement strategies.

As at 30 September 2005, nine suppliers had entered into specific continuous improvement agreements and another 25 were in the process of finalising an agreement. While we had anticipated that these agreements would be the primary mechanism for resolving sustainability gaps in the supply chain, many suppliers have chosen instead to address gaps and request a reassessment under SSCM.

Scoring of SSCM assessments is managed centrally, but employees within business units and on selection panels are increasingly autonomous in dealing with the outputs of these assessments – identified strengths and weaknesses and the need to address these with suppliers. This has improved our capacity to address sustainability issues within our supply chain, during broad discussions about the quality, price and timeliness of goods or services being purchased, and prior to finalising new contracts. Through our employees, SSCM is moving from being a

new and additional expectation, to becoming 'business as usual' practice.

Our discussions with suppliers focus on 'reasonable' continuous improvement strategies, through an incremental, but sustained, commitment to change. Such discussions are generally well received and productive. The challenge ahead is to maintain this early momentum across the duration of the contract period, to ensure commitments are met, amended and extended upon as necessary.

### **Communication and advocacy**

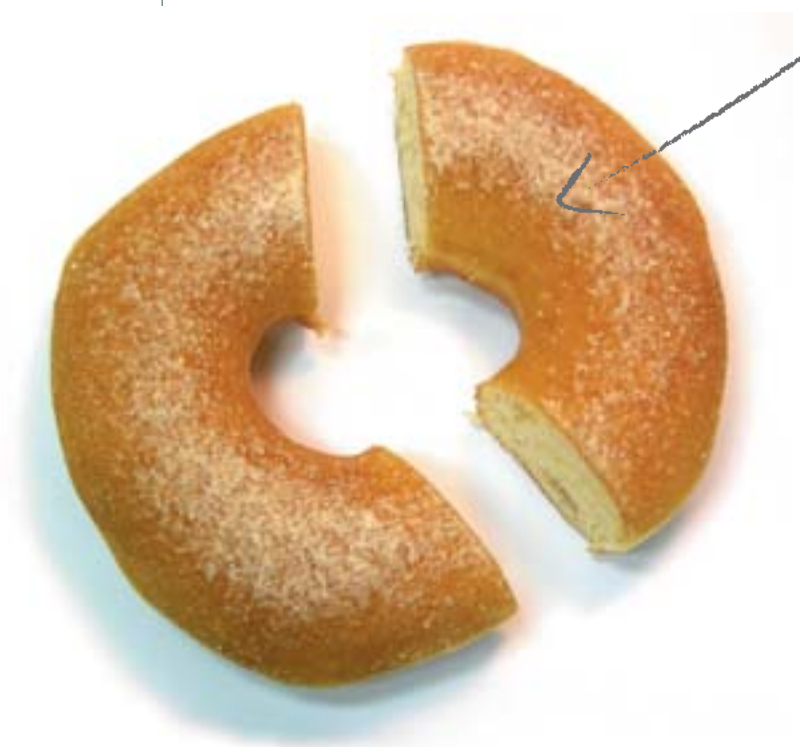
Improving access to information, busting myths and building skills in our employees and suppliers – all essential to cementing SSCM within our supply chain – were key goals in 2005. To achieve these outcomes a number of strategies were employed.

Within Westpac a detailed intranet site for selection panels and managers of ongoing supplier relationships was developed, including explanatory information, tools, templates and information about suppliers' SSCM performance. Training has been provided to all Sourcing employees, and coaching supports employees embarking on SSCM processes for the first time.

SSCM specific materials are included in our 'Request for Proposal (RFP) Toolkit', which it is estimated is used in more than 70% of all market engagements. This ensures SSCM requirements are included in tender documents, and SSCM assessments are considered in the selection of suppliers.

A detailed internet site for suppliers was also launched this year, improving access to supporting information, the SSCM assessment tool (questionnaire), and reference materials.

Our first SSCM-specific Supplier Forum was held this year, providing an opportunity for suppliers to hear what we have learnt about sustainability in the supply chain, and how we plan to move



forward. Suppliers were also able to share their own experiences with Westpac and their peers, question us and each other, and network with peers. Following on from this, suppliers were invited to discuss their assessments and concerns in detail. SSCM also featured in the Westpac Environment Day, which many of our suppliers attended, keen to develop an insight into Westpac's approach to corporate responsibility.

It is fair to say that many of our suppliers are as passionate about SSCM as we are. Some have embraced it with the same enthusiasm that drives their market leadership in product development and customer service, exceeding any expectations we might have placed upon

them. While a few still look wistfully to the past, when sustainability requirements were not discussed in our or other companies' sourcing processes, far more look firmly to the future and are working out how to secure their positions in a changing market.

#### Next steps

In 2005, good progress has been made in expanding SSCM throughout Westpac. This progress needs to continue, through maintenance of our efforts in employees and resource

development, engagement of all our top 100 suppliers, and expansion of SSCM into all market engagements. But there are also issues we have not yet tackled, that now require our attention.

There remains room for debate in our own supply chain and across the broader marketplace about the role of sustainability in selection processes. Concerns remain about the cost and impact to suppliers of sustainability assessment processes and business practices, particularly for Small to Medium Enterprises (SMEs).

Many SMEs have expressed concerns about being forced into a 'one size fits all' process that places an unreasonable burden on their resources and compares them unfairly with multinationals. We acknowledge the need for sustainability initiatives to reflect the size and nature of the company, alongside the risks inherent in any given goods or service.

Suppliers also tell us they fear (and in some cases, already are) juggling multiple sustainable supply chain processes from different customers. Complying with assessment processes should never be more arduous or costly than their benefits, or leave little resources for dealing with the outcome of the assessment. This is clearly an issue we – and the broader marketplace – will need to respond to in the future.

Of the top 100 suppliers assessed by SSCM, **41%** have demonstrated high levels of sustainability, or have implemented or agreed to continuous improvement strategies

Throughout 2006 we will be focusing our efforts on these issues, as we continue those strategies that have been successful this year:

- working with our suppliers and corporate peers to refine our approach to sustainability in the supply chain;
- continuing to expand the reach of SSCM into sourcing processes undertaken across the bank;
- following up, and incrementally building upon, the 'continuous improvement plans' agreed with suppliers; and
- working with SME suppliers to manage the impact of sustainability assessment processes on their operations. **W**

## SUPPLIERS

### To do – 2006

#### Objectives

- Continue to strengthen the engagement of our suppliers with forums, resources and education.
- Increase continuous improvement agreements to 75% of those deemed required at any time, and then strengthen our monitoring and reporting processes against those agreements.
- Expand SSCM into the New Zealand supply chain, working with Westpac New Zealand to assess their 'key suppliers'.
- Formalise training and assessment in sustainability in the supply chain through Westpac's induction training and Learning Management System.
- To ensure that our top 100 suppliers are screened at all times for their social, ethical and environmental performance.

# New Zealand

Westpac has been operating in New Zealand since 1861. We provide banking and wealth management products and services to approximately 1.3 million customers through a nationwide network of 195 branches and 471 ATMs. Our online banking service has 480,000 registered customers. Our priority is to be regarded as the number one organisation for service in the New Zealand financial services industry.

## Stakeholder Impact Report

For the first time this year, the New Zealand Stakeholder Impact Report is now fully aligned with the Group financial and non-financial reporting. This alignment provides a comprehensive perspective of our performance for all employees, customers, shareholders and the wider community.

The 2005 Stakeholder Impact Report – Sustainable Value – is New Zealand's second report and the first to be assured against the AA1000 Assurance Standard.

@ The report is available at [www.westpac.co.nz](http://www.westpac.co.nz)

## Employees – attracting and retaining talent

With New Zealand experiencing record low unemployment, attracting and retaining talented employees is becoming an increasing priority.

Improved employee commitment, as measured by our Staff Perspectives Survey, is one of our core objectives. Our 2005 results showed commitment at 72%, a rise of 6%, placing us in the top quartile of large New Zealand companies, and ahead of the global financial services norm.

Our focus on leadership is reflected in our People Leader Index score of 79%, which is beyond that of global high performing companies.

We have also launched a radical overhaul of our training programs for branch-based employees. A new 12-week training program was launched in June 2005. The training takes a layered learning approach across 10 competencies that cover everything from cash handling, customer management through to product knowledge.

Developing leadership has also been a major priority in 2005. In conjunction with the New Zealand Leadership Institute based at the

University of Auckland Business School, we have launched the Westpac Leadership Program, an independently run development opportunity for outstanding leaders across our organisation.

By focusing on improving early-warning systems to pick up employee discomfort before it leads to actual injuries, we are also improving our Health and Safety Performance and have reduced the overall number of claims made from 222 in 2003, to 154 in 2005.

## Customers – being number one

Since launching our five Customer Service Commitments in 2004, we have commissioned a review of how these commitments are helping us in our mission to be number one in customer service. The review included workshop sessions with both employees and customers. In doing so we found that many of our frontline employees had embraced the spirit of the commitments, and were willing to deliver. However, a greater degree of institutional support was necessary to provide these employees with the necessary tools to make our commitments come to life.

Linking in to this is an internal initiative dubbed 'Take five to save fifty' aimed at reducing simple errors which can cause inconvenience to our customers, and cost us valuable time.

To get a clear picture of customer complaints across the entire bank, we have also launched a new system which aggregates all complaints data, from all branches. Initial findings show that a greater proportion of the complaints received in branches relate to fees, and fewer are for staff and service issues.

Of all major New Zealand banks, Westpac has also been the strongest performer in reducing the number of disputes that require involvement from the Banking Ombudsman, moving from 144 in 2003 to just 34 disputes this year.





### Community – building social capital

Westpac has a proud history of community support and contribution in New Zealand.

Our community involvement strategy is now fully evolved and aligned with the Group approach.

Our Matching Gifts program supports our people's individual donations by matching, dollar for dollar, contributions to registered New Zealand charities. From its introduction in November 2004, to the end of September 2005, Westpac had matched over \$53,000 of donations. Of this, \$35,000 of this was donated towards aid and recovery for the Asian tsunami on Boxing Day 2004.

Our Employee Volunteer Day supports our employees to volunteer, by allowing up to one full day of paid leave per year to support the organisations and activities that they care about.

In a joint initiative with the New Zealand Business Council for Sustainable Development (NZBCSD), we are looking to better understand the range of issues Maori face in establishing an enterprise, tasked with realising tribal expectations while managing commercial aspirations.

@ The final outcome of the project, a blueprint entitled 'Let's Settle This', provides Maori organisations with a toolkit to help them with the challenges associated with the post-settlement phase. The toolkit is available on the NZBCSD's website at [www.nzbcSD.org.nz](http://www.nzbcSD.org.nz)

### Environment – making a difference

Westpac has made fundamental steps to take full responsibility of our environmental impacts, and now have the tools in place to begin to reduce our own direct environmental footprint.

We have formally adopted the Group environmental policy, and we are now participating in the Westpac Environmental Advisory Group. We have also set ourselves the challenge of being a Zero Waste organisation. This is a long-term commitment to the ideal that says any amount of waste is unacceptable. First steps have included the rollout of recycling facilities to all of our corporate sites, introduction of low energy technologies and a focus on reducing the amount of paper we use.

The Equator Principles, which were ratified at a Group level in 2003, will be applied to all project finance transactions in New Zealand. We also use industry classification codes to assess environmental risk when screening lending proposals from small and medium sized businesses. Where a high environmental risk is identified, further investigation is required to ensure adequate management of environmental issues is in place. **W**

# Pacific Banking

For over a century Westpac has provided financial services in the Pacific islands and is the oldest established bank in Fiji, Papua New Guinea and Tonga. We also operate in Vanuatu, Samoa, Solomon Islands and the Cook Islands.

The Pacific is our backyard and Westpac is committed to the health of its economies, the wealth of its people and the protection of its environment.

## Developing our people

As at 30 September 2005, we had 1,075 full time employees, in comparison to 1,108 in 2004. The number of expatriate staff (from Australia and New Zealand) was 30. Of our managers in the Pacific 35% are female.

We have recently launched a new Learning and Development framework – Developing your Capabilities – to ensure our employees have the right skills, knowledge and capabilities required for their role and career development.

Ongoing initiatives seek to ensure that our Pacific branches are run by local people. This makes sense for business reasons but also provides important employment opportunities for local residents.

Our High Potential Officer Program aims to reduce our reliance on expatriates by enabling highly skilled and motivated local employees to reach their full potential. During 2005 we had a number of short-term secondments and relief roles under the Program, both to and from Australia and between the islands.

This strategy is working extremely well. Seventy nine percent of employees believe Westpac is doing a good job of developing and training people and overall employee satisfaction is at 84%. Our focus for the coming year will be on performance planning and appraisal, work processes and systems and customer experience.

## Our customers in the Pacific

We operate through a network of around 43 branches and 41 ATMs, and currently provide internet banking services to around 5,500 customers.

We provide a range of low cost products with substantial benefits to our customers. The Bonus Saver is a dedicated savings account that may be used to accumulate funds and attracts bonus interest if a deposit is made to the account in a particular month with no withdrawals.

The Internet Payment Gateway helps our customers to go online as more transactions

are moved into the electronic area. The launch of this product will see us have the most comprehensive online customer offering throughout the Pacific.

Internet Banking is now available in all Pacific locations for both personal and business customers.

Telephone Banking is now available in Fiji, PNG and Tonga, with the number of registered customers continuing to grow.

Pacific Banking has also been evaluating ways to introduce microfinance projects in the Pacific. The aim of these projects is to assist customers with finance to establish a small business. We have been in dialogue with the National Bank of Vanuatu and are continuing to assess possible ways to foster income generating activities to help build the capacity of local entrepreneurs.

## Our environment in the Pacific

The environmental issues in the Pacific region vary between the islands. They range from deforestation to soil erosion and pollution from mining projects to severe drought. Individual countries are not bound by specific environmental legislation, however, we see an opportunity to work with Governments to create greater environmental awareness throughout the Pacific region.

The Group Great Paper Challenge has been adopted by Pacific Banking as a way to reduce paper consumption and increase recycling. Pacific Banking now provides its Internet Banking customers with the option to receive online statements instead of hard copies; had photocopiers to print double sided by default and had all laser printers converted to a default setting of duplex.

Westpac Vanuatu has joined forces with the Bankers Association in May 2005 to launch the Clean Up Port Vila Project. Westpac team members are selected to help promote the scheme, by delivering the message to local children, endeavouring to create a cultural change at the 'grass roots' level and drive home the message of how important it is to keep their surroundings clean and not litter.

The Vanuatu Tourism Office, The Port Vila Municipality, the Government Environment unit



and a number of resorts and local businesses have also become involved in the bi-monthly initiative after the successful launch of the program.

This particular project was specifically recognised with a Bronze award at this year's CEO's Corporate Responsibility and Sustainability Awards. Greg Coughlan, Country Manager, and the entire Vanuatu team were explicitly recognised for gaining a great deal of support from the community for an important nation-wide initiative.

In the Cook Islands, Westpac Pacific Banking is tackling the issue of pollution head on. Sewage seeping into a local lagoon is causing major environmental and pollution concerns. We have introduced a policy that we would not fund any new development or major reconstruction along the coast unless a suitable sewage treatment plant was installed. Whilst some smaller developments had some initial problems with this policy we received excellent support and feedback overall.

#### **Corporate governance and ethics**

Complying with Group-wide policies and procedures is something that is taken very seriously in the Pacific. We can only gain the trust of customers and stakeholders if we behave in an ethical and trustworthy manner.

In 2005, much work has been done around anti-money laundering and financing of terrorism. New legislation across the Pacific, in particular Cook Islands and Fiji, has been driving an increased focus on these issues.

We have updated our customer identification processes and adopted the '100-point' system which provides the greatest level of protection for our customers.

Some of the other projects currently under way for the Pacific are: automated terrorism detection; automated transaction monitoring and analysis; automated suspicious transaction reporting; and automated significant cash transaction reports.

Our employees across the Pacific have also completed a computer-based money laundering training program that was developed by the United Nations Office on Drugs and Crime.

During 2005, we have been working closely with Westpac Australia to ensure our processes are compliant with the new International Financial Reporting Standards (IFRS). A lot of work has been done to understand the required changes in accounting methodologies, specifically the impact on revenues, expenses and bad debts as well as making changes to IT systems to cope with the changes in accounting.

In line with Group developments, we have also introduced a Whistleblower Protection Policy so that employees can discretely tell us about an issue and feel confident that they will not be disadvantaged by making a report. Employees can raise a concern directly with the Westpac Australia Chief Compliance Officer, or via intranet and telephone reporting mechanisms. The service is anonymous, unless the employee chooses to provide their name. **W**

# Finance and governance

There's no escaping that the numbers are the real bottom line because our profitability underpins everything we do. And when it comes to corporate governance, we believe there is no excuse for anything but excellence.

## Our footprint

Westpac Banking Corporation holds a unique place in Australia. Established in 1817 as the Bank of New South Wales, Westpac is Australia's first and oldest Bank, as well as the country's first and oldest public company.

When the Bank first opened its doors for business, it operated from small premises leased

from an ex-convict turned businesswoman. It was a challenging time of growth for the nation, and for the Bank.

The name Westpac Bank was adopted in 1982, following a merger with the Victorian-based Commercial Bank of Australia Ltd. With this merger Westpac became Australia's biggest banking group.

Today Westpac has branches and affiliates in Australia, New Zealand and the Pacific

Islands, and maintains offices in key financial centres globally. The Group now employs more than 27,000 people in Australia and around the world, serving 8.3 million customers.

As at 30 September 2005, our market capitalisation was \$39 billion, up \$7 billion or 22% in the year. The number of shareholders also increased to 266,151. Assets of the Group now total \$259,753 million.

## Financial performance

Our strategy is continuing to deliver consistent year-on-year financial performance.

Key financial features of our 2005 results, compared to 2004, were:

- net profit attributable to equity holders of \$2,818, up 11%;
- cash earnings of \$2,874 million, up 12%;
- cash earnings per share of 155.3 cents, up 12%;
- cash earnings return on equity of 20.7%;
- economic profit up 17%; and
- strong capital position with Tier 1 at 7.2% and Adjusted Common Equity (ACE) at 5.4%.

2005 was another exceptional year for Westpac. Our net profit after tax was another record and up

# 11%

on last year, to \$2,818 million

Directors declared a final dividend of 51 cents per ordinary share (fully franked), taking our full year dividend to 100 cents (fully franked), an increase of 16% on 2004 dividends. The dividend payout ratio was 64% of cash earnings.

This strong 2005 result was delivered in a time of unprecedented competition across all parts of the business. It was a revenue-driven result with all parts of the business growing profitably, and without compromising on our pricing or risk disciplines.

The result leaves us well placed to meet our financial goals in 2006.

## Corporate governance

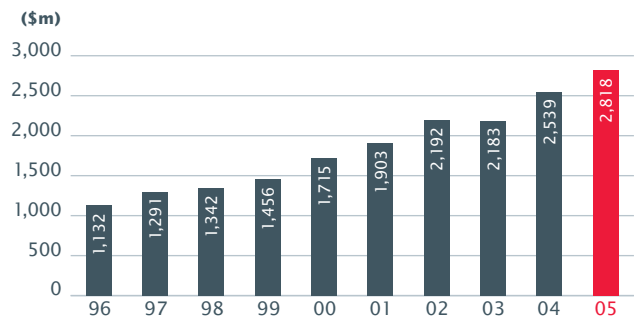
Whilst there is a good deal of overlap between the corporate responsibility and corporate governance agendas, we think of corporate governance as part of the broader corporate responsibility framework.

Corporate governance is mainly concerned with how the company is directed and managed; objective setting; risk management; and performance assessment, and there is no doubt that good governance goes hand in hand with the broader commitment to corporate responsibility.

Rather than repeat them here, our governance practices are fully set out within the Corporate Governance section of the Concise Annual Report and also available in the Corporate Governance section of the website.

The main framework we report against is the Principles of Good Corporate Governance and Best Practice Recommendations from the Australian Stock Exchange Ltd Corporate Governance Council (ASXCGC). Westpac considers that its governance practices comply with the 28 Best Practice Recommendations, subject to a single qualification.

Beyond this, Westpac's governance procedures and disclosures also take into account the Australian Government's amendments to the Corporations Act 2001 (CLERP 9); the Australian Standard AS8000 Good Governance Principles; and internationally, the US Sarbanes-Oxley Act of 2002 and the Securities and Exchange Commission rules which followed; the New York Stock Exchange listing rules on corporate



### Profit

Operating profit after tax attributable to shareholders.

governance; the New Zealand Exchange Limited listing rules; and the New Zealand Corporate Governance Best Practice Code.

We are watching the implementation of the UK Operating and Financial Review and Directors' Report Regulations 2005. Under the latter, UK directors are now required to provide a balanced and comprehensive analysis of the business (the Operating and Financial Review, or 'OFR') which is both retrospective and future-focused, focusing on the material trends and factors underlying current and future performance.

The OFR intent is to supplement existing reporting with improved non-financial, qualitative and forward-looking information, which includes social and environmental issues to the extent that they have a material bearing on the current or future financial performance of the business. For example, directors are specifically guided to consider the importance of corporate reputation and the quality of relationships with stakeholders.

We are also watching the progress of draft UK legislation (clause B3 of the March 2005

UK White Paper for the proposed Company Law Reform Bill) which redefines directors' duties in line with the expectations of responsible business behaviour.

Both initiatives are highly significant in relation to current Australian Federal Government inquiries into corporate responsibility.

The gain in our net worth in the past year was \$7 billion or

# 22%

Governance initiatives in the year included:

- assessing the independence of each non-executive director against Board definitions, New York Stock Exchange Standards and ASXCGC recommendations. Following this review, the Board has determined that all non-executive directors are independent;
- a new, formal education program for non-executive directors;
- updating all Committee Charters;
- reviewing our readiness for and the impacts of the International Financial Reporting Standards;

- reviewing non-executive director remuneration; and
- introducing electronic proxy voting for the 2005 Annual General Meeting.

We continue to be highly regarded for the quality of our governance practices and disclosure. Westpac is the only bank top-rated globally for governance by GovernanceMetrics International and has been so rated in four consecutive assessments over 2004-05, of up to 3,200 companies globally.

Westpac also received three awards in the 2005 Australasian Reporting Awards; for Corporate Governance Reporting; Communication; and Continuous Disclosure Reporting.

### Financial crimes control

This year we needed to respond to evolving international measures designed to combat money laundering and financing of terrorism. Significant revisions have been made to the Financial Action Task Force (FATF) recommendations, the USA Patriot Act, the Basel Committee standards on customer due diligence and the Wolfsberg Principles.

A draft Exposure Bill is expected in late 2005 to update the Australian anti-money laundering legislation, the Financial Transaction Reports Act.

Ahead of expected new requirements, in late 2004 Westpac commissioned a group-wide risk review by KPMG consultants to assess our performance against world best practice.

The results delivered in May this year highlighted a number of areas that required attention to improve the bank's risk position. We also needed to ensure continuing compliance with more stringent anti-money laundering legislation overseas.

Westpac is working with government and the industry to develop practical and workable legislation that meets the new international operating environment. For our part a work program was started in May 2005 to respond to the KPMG report and work towards the tougher international requirements:

- upgrading systems for the suppression of financing of terrorism;
- upgrading systems and processes to deal with Politically Exposed Persons;

- enhanced training and awareness building around anti-money laundering including a new e-learning module;
- revise sales processes for some high risk products;
- review of anti-money laundering systems of Westpac's correspondent banks;
- enhancements to some 'know your customer' processes in the Westpac Institutional Bank;
- trial new anti-money laundering monitoring systems;
- continued analysis of international regulation;
- updates to group policies; and
- consult with government and the regulator on draft legislation.

A second work program will start following the release of the new legislation.

In March 2005, the Financial Crime Control business unit structure was reorganised to allow a greater emphasis on fraud prevention and awareness.

### **Risk**

Our approach to risk management was further modified in 2005. The risk management frameworks were reviewed – in particular, the Operational Risk Framework and policies. Risk management has been enhanced with a dedicated and comprehensive reputation risk framework. Reputation risk is now formally assessed and reported quarterly to the Board Corporate Responsibility and Sustainability Committee.

Other specific risk areas received attention in terms of policy development or review: outsourcing; business continuity management; and industry concentration risk. Work also progressed in relation to the requirements of Basel II and International Financial Reporting Standards.

Westpac's risk management governance structure is set out in the table opposite.

### **Political donations and lobbying**


We believe we have a responsibility to support the democratic process and ensure governments are well informed on our activities. We are therefore committed to ensuring that any political donations we make are made solely for the purpose of supporting the democratic process itself; are lawful and properly recorded in the accounts and adequately disclosed in accordance with relevant electoral laws; and not made where there can be any misrepresentation of their purpose.

### **Submissions to government inquiries**

Two significant Federal Government inquiries into corporate responsibility were started in 2005:

- Parliamentary Joint Committee on Corporations and Financial Services (PJC) Inquiry into corporate responsibility; and
- Reference to the Corporations and Markets Advisory Committee (CAMAC) on Directors' Duties and Corporate Social Responsibility.

Westpac made a submission to the PJC Inquiry and was invited to appear before the Committee in November 2005. The Inquiry's terms of reference are wide ranging but focus on how corporations take into account the needs of stakeholders other than shareholders – and specifically in terms of the scope and interpretation of directors' duties and the need for non-financial reporting. Westpac's submission is available at the PJC website. Westpac was also represented on the Australian Institute of Company Directors (AICD) Sustainability Taskforce and contributed to the development of the AICD's position and submission.

The CAMAC reference covers similar ground and Westpac will now make a submission following the discussion paper issued in November 2005. 

## Westpac's Risk Management Governance

<b>Board</b>	Considers and approves the risk-reward strategy of the Group				
<b>Board Committees</b>	<b>Risk Management Committee</b>	<b>Audit Committee</b>	<b>Corporate Responsibility and Sustainability Committee</b>	<b>Nominations Committee</b>	<b>Remuneration Committee</b>
	Risk profile and risk management	Integrity of financial statements and systems	Social, environmental and ethical responsibility and reputation risk	Board skills, succession and governance	Responsible reward practices in line with performance
<b>Independent Internal Review</b>	<b>Group Assurance</b> Adequacy and effectiveness of management controls for risk				
<b>Executive Risk Committees</b>	<b>Westpac Group Risk Reward Committee</b> <ul style="list-style-type: none"> <li>▪ Sets and leads the risk optimisation agenda for the Group</li> <li>▪ Recommends to the Board Risk Management Committee the appropriate risk-reward positioning and integrates decisions on overall capital levels and earnings profile</li> <li>▪ Initiates and oversees strategies of the Group's risk-reward profile and boundaries for risk appetite and earnings volatility within parameters set by the Board</li> <li>▪ Oversees the risk governance framework, including the performance, role and membership of the executive risk committees</li> </ul>				
	<b>Westpac Group Credit Risk Committee</b> <ul style="list-style-type: none"> <li>▪ Optimises credit risk-reward</li> <li>▪ Oversees portfolio performance</li> <li>▪ Determines limits and authority levels within Board-approved parameters</li> </ul>	<b>Westpac Group Market Risk Committee</b> <ul style="list-style-type: none"> <li>▪ Optimises market risk-reward for traded and non-traded market risk</li> <li>▪ Oversees portfolio performance</li> <li>▪ Determines limits within Board-approved parameters</li> </ul>	<b>Westpac Group Operational Risk and Compliance Committee</b> <ul style="list-style-type: none"> <li>▪ Optimises operational risk-reward and compliance</li> <li>▪ Oversees the governance of operational risk and compliance, including the framework and policies</li> <li>▪ Oversees the operational and reputation risk profile</li> </ul>		
<b>Group Risk</b>	<ul style="list-style-type: none"> <li>▪ Drives enterprise-wide risk management culture, frameworks and decisioning for maximum performance in line with risk appetite</li> <li>▪ Ensures risk management is a competitive advantage, delivers better solutions for customers, protects and grows earnings, and builds shareholder value</li> <li>▪ Forges a partnership with the business, which shares the vision and the responsibility for superior risk management</li> </ul>				
<b>Business Units</b>	<ul style="list-style-type: none"> <li>▪ Manage risks inherent in the business including the development of business-specific policies, controls, procedures and reporting in respect of the risk classes</li> </ul>				

# GRI content index

	Reference		Reference		
<b>Vision and Strategy</b>		<b>Performance Indicators</b>			
1.1	Vision and strategy	SIR 4,5			
1.2	CEO statement	SIR 2,3			
<b>Profile</b>		<b>Economic Indicators</b>			
2.1	Name of reporting organisation	SIR IFC	EC 1	Net sales	AR 71
2.2	Products and/or service	AR 11-21,77-79; WI	EC 2	Geographic breakdown of markets	SIR 68; AR 27-29
2.3	Operational structure	AR 7-21,77-79; WI	EC 3	Procurement spending	SIR 42-45
2.4	Organisational structure	AR 7-21,67; WI	EC 4	Percentage of contracts paid in accordance with agreed terms	—
2.5	Countries located	AR 85	EC 5	Total staff costs	SIR 68
2.6	Nature of ownership	AR 81-83	EC 6	Distributions to capital providers	SIR 67
2.7	Nature of markets served	AR 42	EC 7	Change in retained earnings	SIR 68
2.8	Organisation scale	SIR 50; AR 68-69	EC 8	Taxes	SIR 68
2.9	Stakeholders	SIR 6-9; OP; WI	EC 9	Subsidies received	—
2.10	Contact person(s) for the report	SIR 76	EC10	Donations to community	SIR 66
2.11	Reporting period	SIR IFC	<b>Environmental Indicators</b>		
2.12	Previous report	WI	EN 1	Total material use other than water	SIR 64-65
2.13	Boundaries of report	SIR IFC; AR 23	EN 2	Recycled material	SIR 65
2.14	Organisation changes	AR 4; 42-43	EN 3	Direct energy use	SIR 64
2.15	Joint ventures	AFR	EN 4	Indirect energy use	SIR 64-65
2.16	Re-statements of information	AR 75	EN 5	Total water use	SIR 30
2.17	GRI principles applied	SIR 2,6,54-55	EN 6	Land in bio-diversity rich habitats	N/A
2.18	Criteria/definitions used	WI	EN 7	Impact on biodiversity	SIR 30
2.19	Measurement methods changes	SIR 6-9	EN 8	Greenhouse gas emissions	SIR 29-30,64
2.20	Policies and internal practices	OP; WI	EN 9	Use and emissions of ozone-depleting substances	N/A
2.21	Independent assurance	SIR 9,71-74	EN 10	NOx, SOx air emissions	N/A
2.22	Additional information	NZSIR; AR; OP; WI	EN 11	Total amount of waste	SIR 64-65
<b>Structure and Governance</b>			EN 12	Significant discharges to water by type	N/A
3.1	Governance structure	SIR 50-53; AR 24-41	EN 13	Significant spills of chemicals etc	N/A
3.2	Independence of board members	AR 26-27	EN 14	Environment impact of principal products and services	SIR 28-31,64,65
3.3	Expertise of board members	AR 25,44-45	EN 15	Percentage of the weight of products; sold that is reclaimable	N/A
3.4	Board-level processes	AR 25-32	EN 16	Incidents of non-compliance	SIR 29
3.5	Executive compensation	AR 48-65	EN 17	Renewable energy and energy efficiency	SIR 28-31,64-65
3.6	Key individuals	AR 44-45; 67; WI	<b>Social Performance Indicators</b>		
3.7	Mission and values statement	SIR 4,5; OP 2-3; WI	<b>Labour Practices</b>		
3.8	Shareholders' mechanisms	AR 81-84; WI	LA 1	Breakdown of workforce	SIR 13-15,58
<b>Stakeholder Engagement</b>			LA 2	Net employment	SIR 13,58
3.9	Major stakeholders	SIR 7-8; OP	LA 3	Percentage employees by independent trade union organisations	—
3.10	Approaches to stakeholders	SIR; WI	LA 4	Labour/ Management relations	SIR 16-17; OP 10; WI
3.11	Information from stakeholders	SIR; WI	LA 5	Occupational accidents	SIR 17,60
3.12	Use of information	SIR; WI	LA 6	Health and safety committees	SIR 17
<b>Policies and Management Systems</b>			LA 7	Absentee rates	SIR 60
3.13	Explanation of precautionary approach	AR 36-39	LA 8	Policies or programs on HIV/AIDS	N/A
3.14	Externally-developed voluntary charters	AR 36; WI	LA 9	Training per employee	SIR 15,60
3.15	Principal memberships	OP; WI	LA 10	Diversity programs	SIR 13-15
3.16	Policies for impact	AR 36-39; OP; WI	LA 11	Diversity ratios	SIR 13-14,58
3.17	Managing indirect impact	SIR; WI			
3.18	Decisions during the reporting period	SIR; AR			
3.19	Pertaining to 3P performance	SIR 6,57			
3.20	Status of certification	SIR 29,71			

## Key

AFR – Annual Financial Report  
 AR – Annual Report (Concise)  
 IFC – Inside Front Cover  
 NZSIR – New Zealand Stakeholder Impact Report  
 OP – Our Principles for Doing Business  
 SIR – Stakeholder Impact Report  
 WI – Westpac Internet www.westpac.com.au

## Report on the application of GRI indicators

The GRI contents table includes the GRI 2002 preliminary reporting elements, core indicators and SPI Finance 2002 indicators.

Where reporting elements and core indicators are not included within this Stakeholder Impact Report, details of the alternative location are provided.

Indicators EN6, EN9, EN10, EN12, EN13, EN15 and LA8 are not relevant to Westpac Australia as a financial institution, and as tested through the AA1000 AS assurance process.

There is no data available for indicators EC4 and EC9. We aim to report on these indicators in 2006.

There is no complete data available for indicator LA3.



	Reference	GRI Indicators
<b>Human Rights</b>		
HR 1	Human rights guidelines	OP 9
HR 2	Human rights impact	SIR 34-39
HR 3	Human rights performance	SIR 34-39
HR 4	Non-discrimination	OP; WF
HR 5	Freedom and association policy	OP 13
HR 6	Child labour	OP 13
HR 7	Forced and compulsory labour	OP 13
<b>Society</b>		
SO 1	Impact on communities	SIR 34-39; WI
SO 2	Bribery and corruption	OP
SO 3	Political contributions	SIR 52; AR 47
<b>Product Responsibility</b>		
PR 1	Policy preserving customer health and safety	OP
PR 2	Product information and labelling	OP 14-15
PR 3	Respect for privacy	OP 14; WI
<b>Financial Services Sector Supplement: Social Performance</b>		
CSR Management		AR 32,37-38
CSR 1	CSR policy	SIR 4; OP 11
CSR 2	CSR organisation	SIR 76
CSR 3	CSR audits	SIR 9,71-74
CSR 4	Management of sensitive issues	SIR 6-9
CSR 5	Non-compliance	SIR 71-74; AR 42
CSR 6	Stakeholder dialogue	OP 8; SIR 6-9
<b>Internal Social Performance</b>		
INT 1	Internal CSR policy	SIR 12-17; OP
INT 2	Staff turnover and job creation	SIR 58-59
INT 3	Employee satisfaction	SIR 59
INT 4	Senior management remuneration	AR 48-65
INT 5	Bonuses fostering sustainable success	SIR 16
INT 6	Female/male salary ratio	SIR 58
INT 7	Employee profile	SIR 13-15,58
<b>Performance to Society</b>		
SOC 1	Charitable contributions	SIR 35,66
SOC2	Economic value added	SIR 68
<b>Suppliers</b>		
SUP 1	Screening of major suppliers	SIR 42-45
SUP 2	Supplier satisfaction	SIR 42-45
<b>Retail Banking</b>		
RB 1	Retail banking policy	SIR 20-24
RB 2	Lending profile	SIR 63; AFR
RB 3	Lending with high social benefit	SIR 22-24,63
<b>Investment Banking</b>		
IB 1	Investment policy	SIR 24
IB 2	Customer profile	SIR 63; AR 15
IB 3	Transactions with high social benefit	SIR 24,63
<b>Asset Management</b>		
AM1	Asset management policy	SIR 24
AM2	Assets under management with high social benefit	SIR 25
AM3	SRI-orientated shareholder activity	SIR 25,31,63
<b>Insurance</b>		
INS 1	Underwriting policy	WI
INS 2	Customer Profile	SIR 62; AR19
INS 3	Customer complaints	SIR 62
<b>Global Compact Principles</b>		
<b>Human Rights</b>		
	Principle 1: businesses should support and respect the protection of internationally proclaimed human rights and	HR 1-4
	Principle 2: make sure that they are not complicit in human rights abuses	HR 2-3
<b>Labour Standards</b>		
	Principle 3: businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	HR 5; LA 3-4
	Principle 4: the elimination of all forms of forced and compulsory labour	HR 7
	Principle 5: the effective abolition of child labour and	HR 6
	Principle 6: the elimination of discrimination in respect of employment and occupation	HR 4; LA 10-11
<b>Environment</b>		
	Principle 7: businesses should support a precautionary approach to environmental challenges	3-13
	Principle 8: undertake initiatives to promote greater environmental responsibility and	1.1; EN 1-5; EN 7; EN 8; EN 14; EN 16
	Principle 9: encourage the development and diffusion of environmentally friendly technologies	EN 17
<b>Anti-corruption</b>		
	Principle 10: businesses should work against all forms of corruption, including extortion and bribery	SO 2
<b>Communicating Progress on the Global Compact Principles</b>		
Westpac is a signatory to the UN Global Compact and its ten Principles on human rights, labour, the environment and anti-corruption. This 2005 Stakeholder Impact Report represents our Global Compact Communication on Progress. The commitments, systems, outcome actions and performance measures against the Principles are set out both through Our Principles for Doing Business and this report – which is in accordance with the Global Reporting Initiative (GRI) 2002 Sustainability Reporting Guidelines. Actions and performance measures for each Principle can be described by the GRI indicators as set out above.		

Factpac  
for 2005

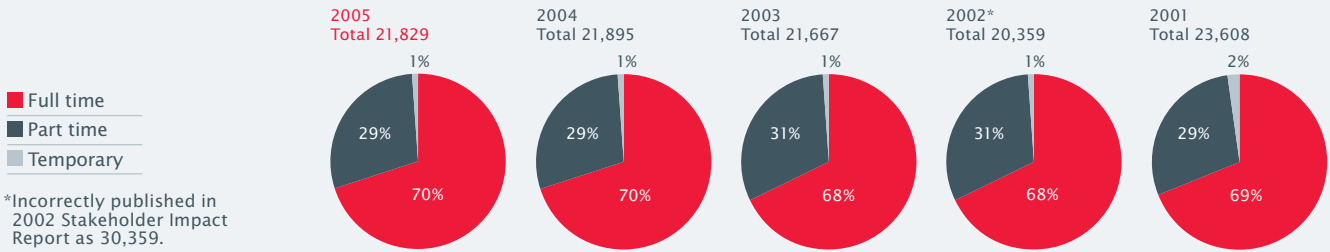
Employees	58
Customers	61
Environment	64
Community involvement	66
Financial	67
New Zealand and Pacific Banking	69



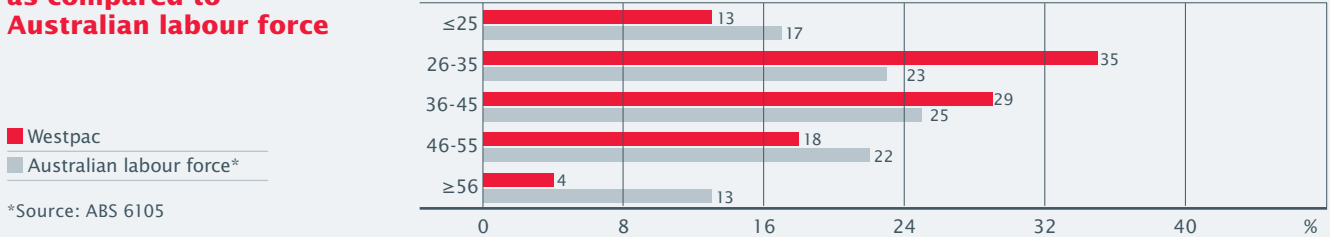
# Employees

Westpac Australia, year to 30 September 2005, unless otherwise stated.

## Westpac workforce



## Age profile of workforce as compared to Australian labour force



## Gender and age profiles\*

	2005		2004		2003		2002		2001	
	Female %	Male %	Female %	Male %	Female %	Male %	Female %	Male %	Female %	Male %
≤25	13	13	14	15	11	11	15	14	13	12
26-35	35	36	35	36	37	37	35	35	39	38
36-45	29	30	28	30	29	31	28	30	28	30
46-55	19	17	19	16	19	17	19	17	18	17
≥56	4	4	4	4	4	4	3	4	3	4

\*Data up to and including 2004 Group-wide workforce.

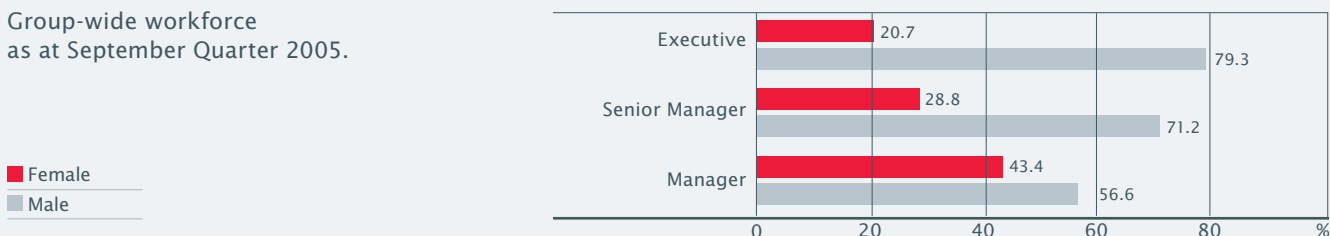
## Male/Female salary ratio\*

Management level	Fixed pay (male:female)	Total cash (male:female)
Non-management	51:49	52:48
Junior management	52:48	53:47
Middle management	51:49	51:47
Senior management	52:48	51:46
Top management	50:50	51:49

\*This ratio comparison replaces the 'Male/Female Salary Comparisons' chart published in previous reports, and includes an extended base of salary categories.

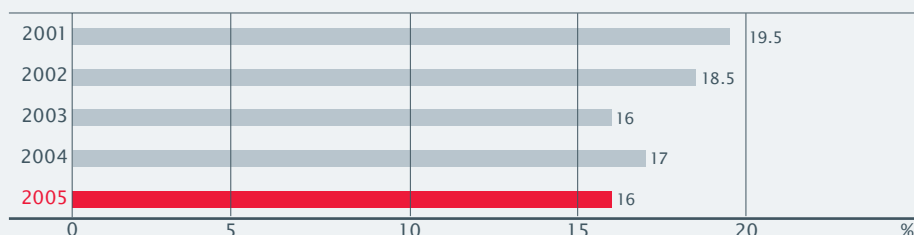
## Women in management

Group-wide workforce as at September Quarter 2005.



## Employee turnover

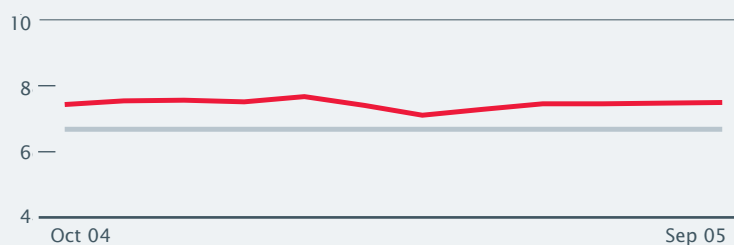
Figures include resignations, retrenchments, retirements and dismissals.



## Employee morale

■ Westpac

■ Global Financial Services Norm



## Employee satisfaction

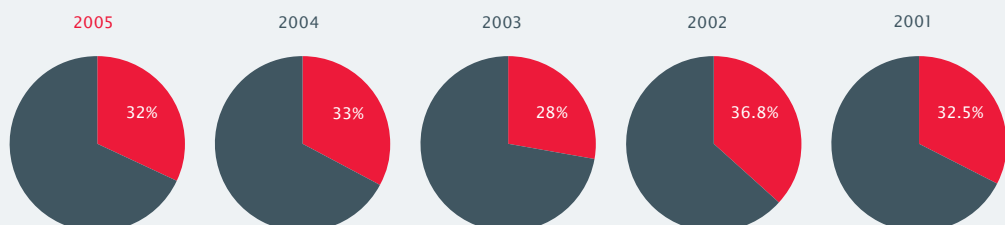
Westpac Group-wide figures.

	% favourable				
	2005	2004	2003	2002	2001
Community/Social	87	87*	86	93	90
Work life balance	64	61	60	65	68
Communication culture	72	67*	60	55	65
Training & development	68	69	64	68	63
Job security	72	72	66	64	54
Remuneration & benefits	36	37	37	40	44
Employee commitment	69	68	65	65	61

\*Survey questions modified slightly since 2003.

## Employees doing overtime

■ Working some overtime



## Average overtime worked as % of standard hours

Staff group	Overtime as % of standard hours				
	2005	2004	2003	2002	2001
Employees doing overtime	20	23*	8.6	8.5	11.8
All employees	3.0	2.5	1.5	1.1	1.4

\*This figure increased in 2004, because of the introduction of Saturday trading in our branches in NSW.

## Employees continued

Westpac Australia, year to 30 September 2005, unless otherwise stated.

### Accumulated annual leave

	2005		2004 <sup>^</sup>		2003		2002		2001	
	No.	%	No.	%	No.	%	No.	%	No.	%
≤4 weeks	15,668	70	14,843	67	13,167	63	12,885	64	14,638	61
>4 & <8 weeks	5,533	25	6,702	30	5,863	28	5,476	27	7,737	32
≥8 weeks	1,132	5	736	3	1,764	8	1,721	9	1,744	7
<b>Total</b>	<b>22,333</b>	<b>100</b>	<b>21,545*</b>	<b>100</b>	<b>20,794</b>	<b>100</b>	<b>20,082</b>	<b>100</b>	<b>24,119</b>	<b>100</b>

<sup>^</sup> Includes BT Financial Group for the first time. \*Incorrectly stated as 22,281 in 2004.

### Number of employees accessing paid parental leave

	2005	2004	2003	2002	2001
Number	1,049	1,097	1,077	1,050	1,026

### Utilisation of Westpac child care centres

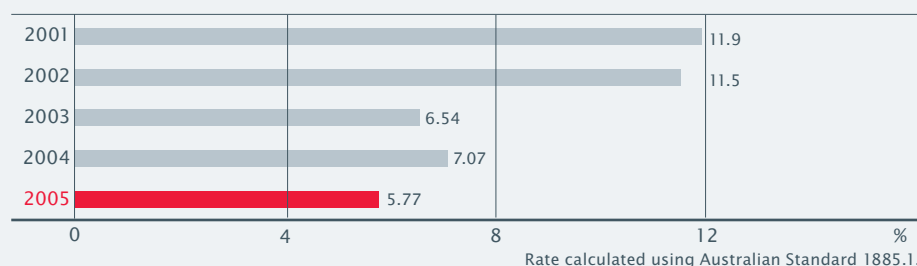
	No. of families					No. of children				
	2005	2004	2003	2002	2001	2005	2004	2003	2002	2001
Kids on Bond (Sydney CBD)*	85	35	21	19	33	98	44	25	23	38
Kids @ Kent (Sydney CBD)	62	62	40	34		71	71	49	44	
Little Gantry (Concord West)	106	74	90	92		111	80	105	108	
South Melbourne <sup>^</sup>	57	62	63	59	49	65	71	76	71	62
Science Park (Bedford Park, SA)	96	58	32	29		113	60	41	37	
Kings Meadow (Tasmania)**	29	11				31	12			
<b>Total</b>	<b>435</b>	<b>302</b>	<b>246</b>	<b>233</b>	<b>82</b>	<b>489</b>	<b>388</b>	<b>296</b>	<b>283</b>	<b>100</b>

\*Kids on Bond became 100% Westpac on 1 October 2004. \*\*New ABC Developmental Learning Centre opened at Kings Meadow in July 2004. <sup>^</sup> Formerly Bank of Melbourne.

### Lost time injury frequency rate

Injuries per one million hours worked.

All OHS figures calculated using different total headcount.



### Employees accessing external tertiary training

	2005	2004	2003	2002	2001
No. of employees	765	538	654	697	700
\$ value	\$1.1m	\$1.4m	\$1.7m	\$1.7m	\$1.5m

# Customers

Westpac Australia, year to 30 September 2005, unless otherwise stated.

## Customers

	Customers (million)			
	2005	2004	2003*	2002
Australia	6.7	6.6	6.3	6
New Zealand	1.3	1.4	1.4	1.3
Other	0.2	0.2	0.3	0.2
<b>Total</b>	<b>8.2</b>	<b>8.2</b>	<b>8.0</b>	<b>7.5</b>

\*2003 numbers restated to better reflect capture of expanded BTFG customer base.

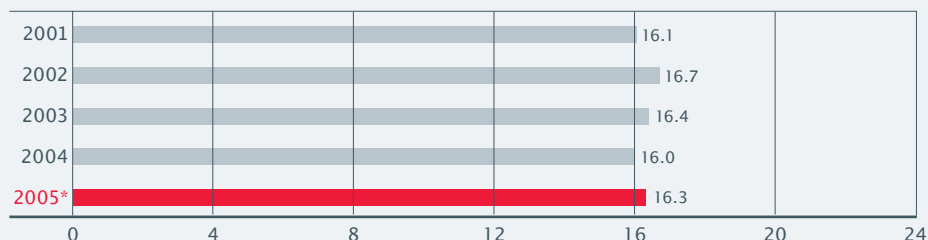
## Distribution points

	Branches				Online customers (million)			ATMs			
	2005	2004	2003	2002	2005	2004*	2003	2005	2004	2003	2002
Australia	813	812	812	806	1.9	1.5	1.8	1,653	1,642	1,587	1,552
New Zealand	195	196	200	200	0.3	0.2	0.2	471	470	480	484
Other	48	57	57	51				42	41	38	13
<b>Total</b>	<b>1,056</b>	<b>1,065</b>	<b>1,069</b>	<b>1,057</b>	<b>2.2</b>	<b>1.7</b>	<b>2.0</b>	<b>2,166</b>	<b>2,153</b>	<b>2,105</b>	<b>2,049</b>

\*Figures revised downwards to reflect active registered customers.

## Low income access

% of customers receiving pension or welfare payment.



\*This figure is an estimation based on previous years. Changes to Centrelink transaction code allocations means our 2005 data cannot be compared with prior years. Next year the 2005 figure will be restated.

## Affordability of transactional services

Average fees paid as a % of pension

Pension status	Basic account					Deeming Statement Account				
	2005*	2004	2003	2002	2001	2005	2004	2003	2002	2001
Single	0.03	0.10	0.08	0.09	0.1	0.08	0.08	0.07	0.08	0.11
Couple	0.02	0.06	0.05	0.05	0.06	0.05	0.05	0.04	0.05	0.07

\*Figures reduced in 2005 because of increase in fee-free transactions on account.

## Credit over – commitment

	Proportion of accounts overdue >90 days (%)				
	2005	2004	2003	2002	2001
Mortgages	0.18	0.15	0.17	0.23	0.27
Cards	0.3	0.45	0.4	0.42	0.4

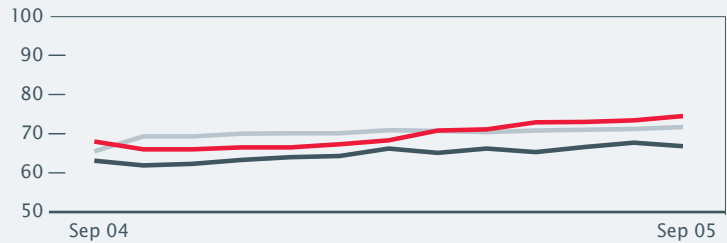
## Customers continued

Westpac Australia, year to 30 September 2005, unless otherwise stated.

### Customer satisfaction

Data shows 12-monthly moving average.

■ Consumer  
■ SME\*  
■ Priority and middle markets\*\*

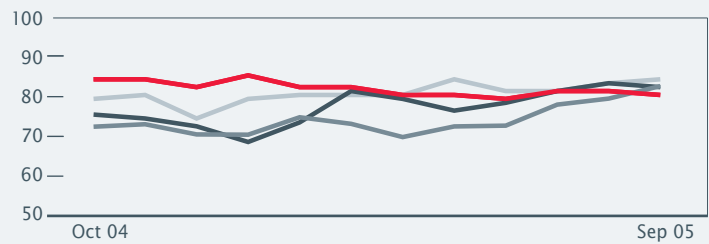


\* SME defined as businesses with annual turnover <\$2m.  
\*\* Priority defined as business with annual turnover of \$2m to \$10m. Middle market defined as businesses with annual turnover of >\$10m.

### Complaints resolution rates

% of complaints resolved within 5 days.

■ 2005  
■ 2004  
■ 2003  
■ 2002



### Complaints type\*

	%				
	2005	2004	2003	2002	2001
Commercial & business	9	9	6	6	7
Information & advice	12	14	23	16	16
Fees, charges & interest rates	35	27	17	17	14
Process & procedure	30	33	29	34	35
Staff service quality	14	17	27	27	28

\*2001 figures from October 2001 – March 2002.

### Banking and Financial Services Ombudsman (BFSO) dispute resolution

	%				
	2005	2004	2003	2002	2001
Resolved with customer	93	91	84	85	84
BFSO investigation but resolved with customer	6	8	14	13	14
Required BFSO recommendation	1	1	2	2	2

### Insurance complaints

	General insurance			Life & risk insurance		
	2005	2004	2003	2005	2004	2003
Number of claims	29,942	29,957	32,578	Number of policies	340,227	336,981
Number of complaints	238	168	186	Number of complaints	1,470	1,708*
% of complaints	0.79	0.56	0.57	% of complaints	0.43	0.50

\*Figure restated.



## Business lending profile

	% of business lending			
	2005	2004	2003	2002
Transport	4	4	4	2
Travel and tourism	5	5	6	8
Forestry and agriculture	10	11	11	11
Finance	10	9	9	8
Housing, education welfare and leisure	5	5	5	6
Construction	5	5	4	3
Retail	16	16	16	14
Wholesale	6	6	6	5
Chemical, minerals and machinery	<1	<1	<1	<1
Professional services	9	9	9	1
Real estate	24	23	23	28
Other	6	6	7	14

## Business lending with a high social benefit

	%			
	2005	2004	2003	2002
Small business lending as % of total business lending*	16	14	12	11
Lending to businesses with outstandings <\$5m	71	72	75	75

\*Business Lending ratio was previously a percentage of Total Australian Lending to Business and Consumers (excluding corporates). This has been corrected to report lending to businesses where the exposure is less than \$500k as a percentage of Total Australian Business Lending.

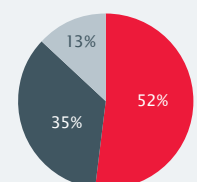
## Country profile of institutional banking activities

Country income classification*	% of total Customers					% of total Exposures				
	2005	2004	2003	2002	2001	2005	2004	2003	2002	2001
Low	0.40	0.35	0.37	0.76	0.21	0.11	0.15	0.15	0.5	0.14
Low-middle	0.80	0.18	0.37	0.76	0.07	0.73	0.08	0.2	0.47	0.04
Middle-upper	0.60	0.18	0.19	1.02	0.21	0.09	0.1	0.12	0.44	0.13
High	98.2	99.3	99.07	97.46	99.51	99.07	99.67	99.53	99.59	99.7

\*World Bank Classification.

## Socially Responsible Investment (SRI)

- Positive/negative screening
- Best-in-class screening
- Environmental screening



## Institutional lending with a high social benefit\*

	\$bn				
	2005	2004	2003	2002	2001
High social benefit	5.0	3.5	2.7	2.4	3.8
Total exposures	18.8	16.9	15.2	16.3	16.7
HSB as % of total	26	21	18	15	23

\*From 2003 figures calculated using different methodology.

## Environment

Westpac Australia, year to 30 September 2005, unless otherwise stated.

### Total greenhouse gas emissions

Equivalent tonnes of CO<sub>2</sub> emissions.

2001	147,400
2002	138,000
2003	137,200
2004	136,400
2005	124,500*

\*From 2005, total emissions incorporates offset of 5,300 tonnes of CO<sub>2</sub> from Green Power. Please note: CO<sub>2</sub> emissions from air travel are not included in total greenhouse gas emissions.

### Emissions source

Equivalent tonnes of CO<sub>2</sub> emissions.

Emissions source	Equivalent tonnes of CO <sub>2</sub> emissions				
	2005	2004	2003	2002	2001
Energy*	115,100	126,000	127,200	119,200	126,500
Car fleet	3,600	4,140	3,600	6,400	4,200
Paper	5,800	5,920	6,400	12,400	16,700
<b>Total</b>	<b>124,500</b>	<b>136,000</b>	<b>137,200</b>	<b>138,000</b>	<b>147,400</b>

\*From 2005, energy emissions incorporates offset of 5,300 tonnes of CO<sub>2</sub> from Green Power.

### Eco performance ratios

Equivalent tonnes of CO<sub>2</sub> emissions.

Emissions ratios	Equivalent tonnes of CO <sub>2</sub> emissions				
	2005	2004	2003	2002	2001
CO <sub>2</sub> /person	5.9	6.2	6.6	7.4	6.7
CO <sub>2</sub> /M <sup>2</sup>	0.2	0.2	0.2	0.2	0.2
CO <sub>2</sub> paper/employee	0.3	0.3	0.3	0.7	0.8
CO <sub>2</sub> car fleet/vehicle	5.1	4.9	4.1	6.3	5.4

### Energy usage

Gas and electricity data based on some extrapolated data for the last quarter.

	Unit	2005	2004	2003	2002	2001
Energy – electricity	MWh	111,800	117,700	117,400	112,300	118,700
Green Power	MWh	5,300	—	—	—	—
MWh/person	MWh	5.3	5.4	5.6	6.0	5.4
Energy – gas	GJ	25,100	22,800	31,200	34,800	34,400

### Paper usage

	Unit	2005	2004	2003	2002	2001
Paper consumption	tonnes	5,000	4,700	5,230	5,500	7,000
Paper consumption	t/person	0.24	0.21	0.25	0.29	0.32
Recycled paper	tonnes	3,000	2,570	2,900	1,100	1,000
Copying paper	sheets/person	10,100	9,500	9,300	12,000	11,400

## Application of Equator Principles

	Number	Loan value	Equator Principle Category		
			A	B	C
Transactions closed	13	824	1	12	0
Transactions pending*	3	—	0	1	2

\*Credit approved, not closed.

## Business travel

Car fleet usage		Unit	2005	2004	2003	2002	2001
Fuel consumption – LPG	kL		1,579	2,031	1,349	1,000	28
Fuel consumption	kL/vehicle		3.0	3.2	2.4	3.1	0.2
Fuel consumption – petrol	kL		436	356	434	1,600	1,850
Fuel consumption	kL/vehicle		2.4	1.7	1.3	2.3	2.6
Km travelled	million km		12	16	13	16	35
Air travel							
Domestic	million km		40	38	48	48	
International	million km		16	17	34	23	
<b>Total</b>	<b>million km</b>		<b>56</b>	<b>55</b>	<b>82</b>	<b>71</b>	

## Recycling

	Unit	2005
Personal computers*	number	2,500
Fluorescent light tubes	kg	530
Toner cartridges	total items	2,019
Toner cartridges	tonnes diverted from landfill	2,082
Plastics Recycling Project	tonnes	61

\*PCs are recycled through WorkVentures (workventures.com.au).

## Lending with a high environmental benefit (HEB)

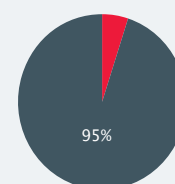
	Business Banking					Institutional Bank			
	2005	2004	2003	2002	2001	2005	2004	2003	2002
Total lending \$bn	39	37	32	27	26	18.8	16.9	15.2	16.3
HEB \$bn	0.25	0.23	0.15	0.13	0.06	4	2.3	2.2	1.41
HEB % of total	0.7	0.6	0.5	0.5	0.2	21.5	13.60	14.60	8.60

## Environmental screening of institutional lending

1st level screening



2nd level screening



## Assets under green management

	2005	2004	2003
Assets under management \$m	23,600	26,460	41,380
Assets under green management \$m	37.0	31.4	28.4
% of assets under green management	0.16	0.12	0.07

# Community involvement

Westpac Australia, year to 30 September 2005, unless otherwise stated.

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

	% of pre-tax profits				
	2005	2004	2003	2002	2001
Total excluding Commercial sponsorships	1.2	1.1	1.3	1.2	1.1
Total community involvement	1.4	1.3	1.6	1.4	1.5

## Community contributions by %

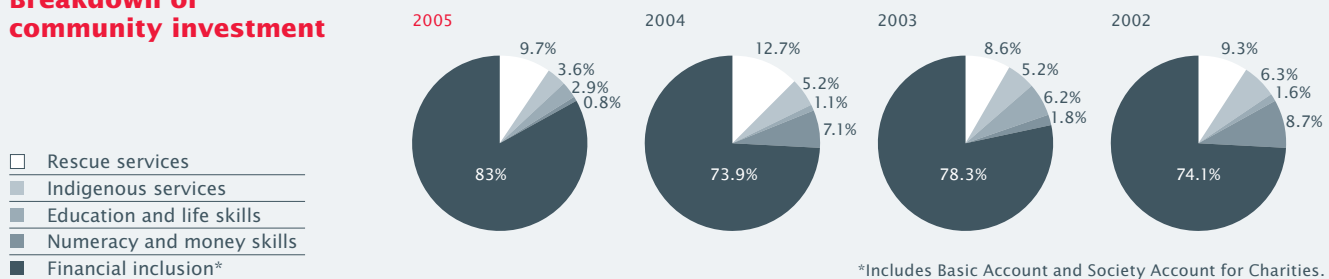
Area of involvement	%				
	2005	2004	2003	2002	2001
Charitable gifts	5	6	3	5	5
Community investment	72	66	71	66	56
Eco projects	1	1	1	1	1
In-kind	3	4	4	6	8
Management costs	3	4	4	4	4
Commercial sponsorships	16	19	17	18	26
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

## Community contributions by A\$

Area of involvement	\$m				
	2005	2004	2003	2002	2001
Charitable gifts	2.1	2.1	1.2	1.6	1.3
Community investment	31.7	30.4*	25.9	19.8	15.1
Eco projects	0.3	0.3	0.3	0.3	0.3
In-kind	1.4	1.2	1.6	1.7	2
Management costs	1.2	1.3	1.5	1.3	1.1
Commercial sponsorships	7.2	6.3	6.1	5.5	7.1
<b>Total</b>	<b>43.9</b>	<b>41.6</b>	<b>36.6</b>	<b>30.2</b>	<b>26.9</b>

\*2004 figure re-stated.

## Breakdown of community investment



## Independent assurance and verification

Type	2005		2004		2003		2002	
	No.	Hours	No.	Hours	No.	Hours	No.	Hours
Environmental	1	58	1	121	1	87	1	97
Financial*	125	27,447	128	24,450	129	23,303	121	n/a
Social	1	116	3	441	1	145	1	220

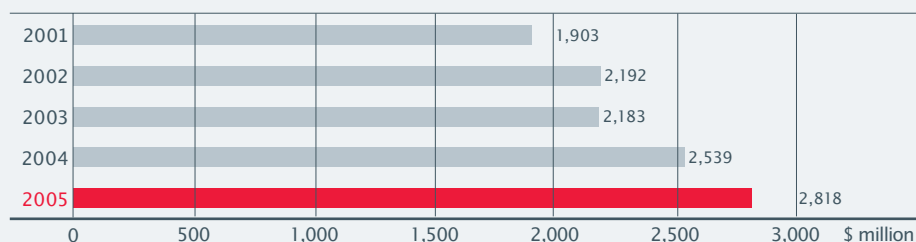
\*Includes internal audits.

# Financial

Westpac Group, year to 30 September 2005, unless otherwise stated.

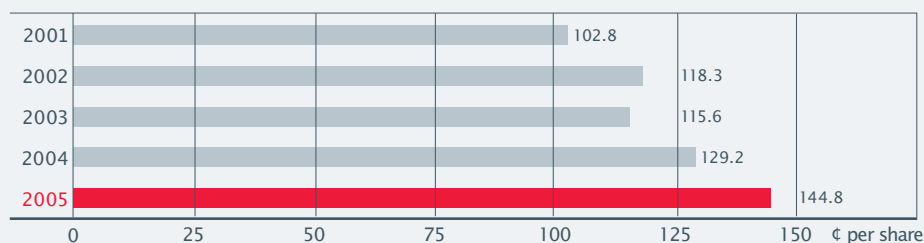
## Profit

Operating profit after tax attributable to shareholders.



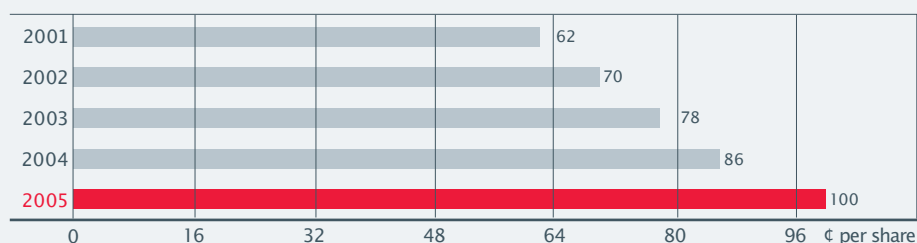
## Earnings

Earnings per share.



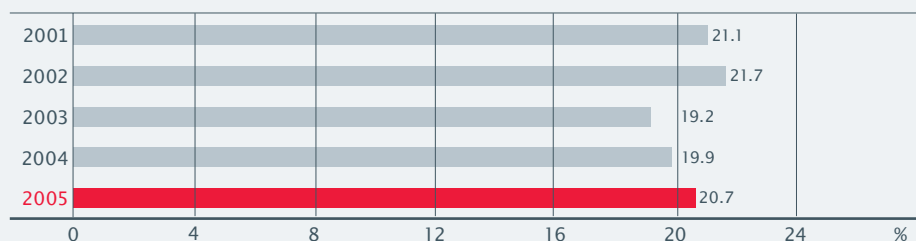
## Dividends

Dividends per ordinary share.



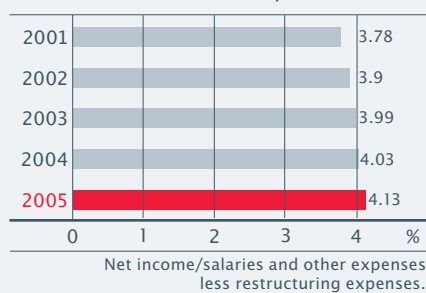
## Return

Return on average ordinary equity.

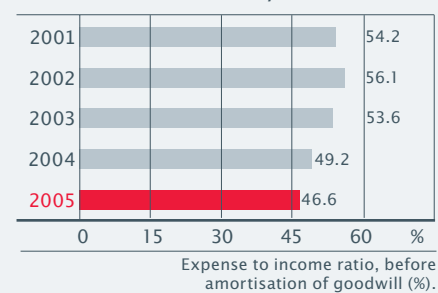


## Staff productivity and efficiency

### Productivity



### Efficiency

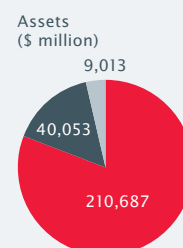
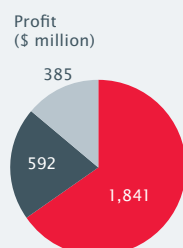


## Financial continued

Westpac Group, year to 30 September 2005, unless otherwise stated.

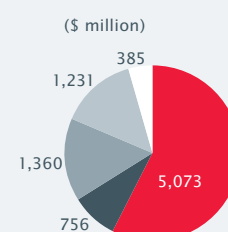
### Profit Assets by region

- Australia
- New Zealand
- Other



### Operating income by key business unit

- Other
- New Zealand banking
- Institutional banking
- BT Financial Group
- Business and Consumer banking



### Market price to net tangible assets

	2005	2004	2003	2002	2001
Share price \$	21.1	17.73	16.2	13.85	13.29
Net tangible assets \$	6.21	5.47	4.97	4.56	4.28
Ratio	3.4	3.24	3.26	3.04	3.11

### Value generation

	\$m				
	2005	2004	2003*	2002	2001
Gross value added					
Net interest income	5,245	4,755	4,326	4,285	4,200
Commissions & services net income	1,887	1,742	1,697	1,706	1,605
Trading operations net income	332	399	409	223	274
Life insurance & fund management net income	1,086	869	761	330	524
Other income	255	245	137	719	134
Net operating income	8,805	8,010	7,330	7,263	6,737
Suppliers & non-salary input costs	(2,134)	(2,052)	(2,005)	(2,076)	(1,771)
<b>Gross value add</b>	<b>6,671</b>	<b>5,958</b>	<b>5,325</b>	<b>5,187</b>	<b>4,966</b>

\*2003 figures restated.

### Value distribution

	\$m				
	2005	2004	2003	2002	2001
Dividends*	1,963	2,109	1,428	1,319	1,162
Retained Profit	965	470	763	878	746
Taxes	1,222	913	728	610	826
Salaries & bonuses	1,648	1,588	1,471	1,516	1,379
Social charge	44	42 <sup>†</sup>	37	30	27
Depreciation & write-offs	829	836	898	834	826
<b>Gross value distributed</b>	<b>6,671</b>	<b>5,958</b>	<b>5,325</b>	<b>5,187</b>	<b>4,966</b>

\*2003 figures re-stated. The 2003 and 2004 dividend figures used in this report reflect: the amount of dividends that have been paid or declared, determined or publicly recommended by the Directors on or before the end of the financial year; plus the net profit attributable to outside equity interests; the distributions on other equity instruments; and, the deemed dividend component of the Share Buy-Back program.

<sup>†</sup> figure restated.

# New Zealand and Pacific Banking

Year to 30 September 2005,  
unless otherwise stated.

## Key financials

	New Zealand			Pacific Banking		
	2005	2004	2003	2005	2004	2003
Operating income (\$m)	1,687	1,688	1,571	148	139	132
Operating expenses (\$m)	(726)	(731)	(699)	(53)	(51)	(51)
Cash earnings (\$m)	611	617	462	63	56	58
Total assets (\$bn)	45	42	40	1.3	1.2	1

## Points of access

	New Zealand			Pacific Banking		
	2005	2004	2003	2005	2004	2003
Branches	195	196	200	43	43	57
ATMs	471	470	480	41	38	38
Registered Internet customers	480,000	400,000	325,000	5,500	2,500	93

## Workforce

### New Zealand

	2005		2004		2003	
	No.	%	No.	%	No.	%
Full time	4,382	69	4,303	70	4,372	74
Part time	1,270	20	1,291	21	1,004	17
Casual and fixed term	699	11	553	9	532	9
<b>Total</b>	<b>6,351</b>	<b>100</b>	<b>6,147</b>	<b>100</b>	<b>5,908</b>	<b>100</b>

## Gender and age profile

### New Zealand

	2005		2004		2003	
	Female %	Male %	Female %	Male %	Female %	Male %
<25	12	11	14	16	15	17
25-34	27	30	27	30	28	31
35-44	30	36	29	34	28	33
45-55	23	18	22	16	23	16
>55	8	5	8	4	6	3

## Workforce

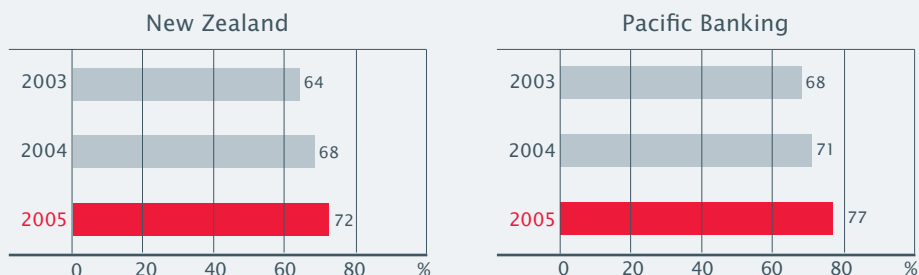
### Pacific Banking

	2005	2004	2003
Full time employees	1,075	1,108	1,123
Expatriate employees (%)	3	3	3

# New Zealand and Pacific Banking continued

Year to 30 September 2005, unless otherwise stated.

## Employee commitment

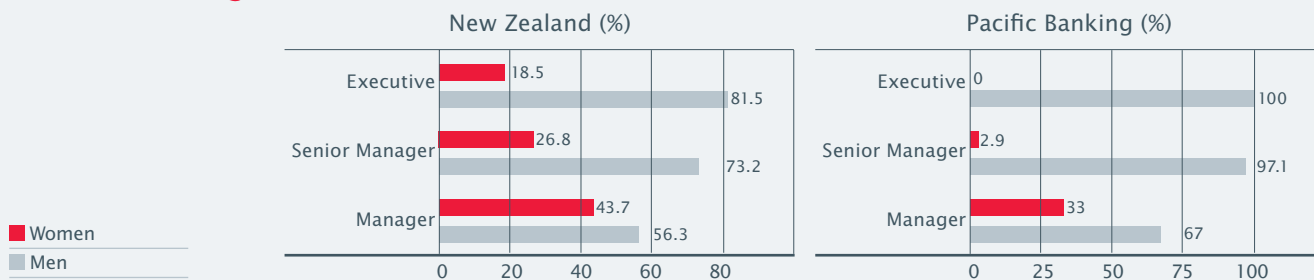


## Employee satisfaction

(% favourable)

	New Zealand		
	2005	2004	2003
Community/Social	90	91	93
Work life balance	71	68	70
Communication culture	74	73	64
Training and development	65	65	60
Job security	78	77	71
Remuneration and benefits	55	52	50

## Women in management



## Customer satisfaction

New Zealand (%)



## Pacific Banking customer satisfaction

	Fiji	PNG	Samoa	Tonga	Vanuatu
2004	8.8	7.6	7.7	7.4	7.8
2005	8.5	8.8	8.5	8.4	8.8



# Social Assurance Statement for 2005



## To Westpac's stakeholders

Banarra Sustainability and Social Assurance (Banarra) were commissioned by Westpac to assure the social sections of the Stakeholder Impact Report 2004-2005 using the AA1000 Assurance Standard.

## Summary

We believe Westpac's Stakeholder Impact Report (SIR) provides a fair and balanced representation of the material issues and impacts in a way that allows stakeholders to use this report. We also believe Westpac has effective processes for understanding its issues and impacts and for managing its responses. We identified some opportunities for improvement, including implementing a process encouraging wider internal ownership of the SIR's content and a stronger role for Group Assurance in providing assurance on Westpac's implementation of Our Principles for Doing Business.

## Scope

Our assurance scope included the SIR sections: Our sustainability priorities & the emerging agenda, Employees, Customers, Social, Suppliers, the Governance aspects of the Finance and Governance section, the New Zealand aspects of the New Zealand and Pacific Banking section and all related Factpac data.

Our scope excluded all case studies, Pacific Banking, the finance aspects of the Governance and Finance section and whether the SIR is in accordance with the GRI. Our scope for testing Westpac's processes and systems was determined by the issues in our Materiality Register – see below.

## What's New

- Our methodology was reviewed by Westpac's Board and Westpac stakeholders through the Assurance Advisory Panel (AAP). We believe the AAP was a valuable addition to ensuring a stakeholder-guided assurance process.
- We conducted employee interviews outside of Westpac's Sydney offices.

## Our Approach

We developed a register of material issues and impacts, identified through the AA1000 five-part materiality test including interviews with Westpac stakeholders, internal personnel interviews, internet-based research, and a review of internal and external stakeholder engagement results such as the Staff Perspectives Survey.

Of the 155 issues identified, our criteria found 40 material, the majority of which related to customers

and employees. The AAP reviewed these 40 issues and we used them to define a scope for selecting internal interviews and system reviews. The interviews conducted ranged from customer facing employees in branches and call centres in Brisbane, Launceston, Newcastle and Sydney to David Morgan, CEO; Mike Pratt, Group Executive Business and Consumer Banking; and Ilana Atlas, Group Executive People and Performance. Our review of systems ranged from the Board-level reputation risk assessments to customer relations systems such as Service Online. Our opinion as to the effectiveness of Westpac's systems and processes for managing its material issues is based on this work.

We risk-ranked all claims and data in the SIR and tested a selection of them by developing audit trails, investigating assumptions, reviewing data generation procedures and conducting interviews. The higher the risk assessed the more extensive our testing. This is our fifth reporting cycle with Westpac and this has allowed us to build a significant understanding of the organisation and its progress.

Banarra's approach overall is directed at assuring this Report and Westpac's systems and processes in terms of its completeness, materiality and responsiveness.

## Completeness – Has Westpac identified and understood its issues and impacts?

In our view, Westpac has identified and understands its material issues and impacts as demonstrated by the comprehensiveness of Westpac's responsibility commitments in the recently reviewed Our Principles for Doing Business.

We examined a range of processes and systems supporting Westpac's understanding of its issues and impacts. Of note were the annual Staff Perspectives Survey and the monthly Customer Experience Trackers, both effectively measuring stakeholders' perceptions of Westpac's performance. Other mechanisms ensuring Westpac's understanding include the external stakeholder Community Consultative Council and a number of internal stakeholder mechanisms such as the Social Advisory Group.

## Materiality – How does Westpac know what's important?

Westpac has a range of embedded processes for deciding its material issues, such as its internal reputational risk assessment process. Consequently, we believe that the report is a fair and balanced account of the Westpac's responsibility performance allowing stakeholders to make informed decisions. Only one material issue is not directly addressed

in the report, the implementation of Pinnacle, 'back office' software infrastructure, and challenges resulting from its implementation such as impacts on employees.

### **Responsiveness – Has Westpac responded to its material issues and accounted for them?**

The SIR does comprehensively demonstrate Westpac's responsiveness to material issues. We also believe that Westpac has effective systems and processes for managing its responses to these issues.

In terms of improving the customer's experience, Westpac's responses to its challenges were notable. We observed the introduction of a number of customer-facing employee support processes such as Service Online, Relationship Builder, and Queue Management Toolkit. Both our own engagement with customer facing employees and Westpac's engagement results demonstrate a growing effectiveness of these responses. Reporting on these customer experience initiatives addresses an absence we noted in last year's SIR when Westpac considered them commercial and in confidence.

### **Opportunities**

We have identified the following opportunities for Westpac:

- Assessing Westpac's approach against the draft AA1000 Stakeholder Engagement Standard to ensure Westpac's approach is kept current;
- Conducting a questionnaire engagement with community stakeholders as Westpac currently does with its employees, customers and suppliers;
- While the SIR is comprehensive in accounting for Westpac's responses, more context could be provided for Report users to better understand the issues that initiated these responses;
- Westpac could ensure wider internal ownership of SIR's content through a process that facilitates more inclusive decision making on its content;
- After five SIRs, we believe it is time for Westpac to commission an engagement on stakeholders' use and views of the SIR;
- Group Assurance should more explicitly and formally test the organisation's awareness of the commitments in Our Principles for doing business and the existing controls and process in place that ensure those commitments are delivered;
- Westpac's balanced scorecard has a target-setting section titled 'corporate responsibility' implemented across most management levels. This section's value will be realized when it is consistently used for setting targets that go beyond community volunteering and address the social

and environmental dimensions of managers' core responsibilities.

### **Independence**

Banarra was paid A\$55,000 for this assignment, representing 23% of our annual revenue for 2005. The assurance team declares itself independent in relation to Westpac and its stakeholders. A detailed statement on our methodology, our competence and impartiality is provided at [www.banarra.com](http://www.banarra.com)



Richard Boele  
 Certified Lead Sustainability Assurance Practitioner  
 IRCA No. 1188527  
 Banarra Sustainability and Social Assurance  
 Sydney, Australia  
 6 December 2005

# Environmental Assurance Statement for 2005



CLIENTS | PEOPLE | PERFORMANCE

GHD was commissioned by Westpac to conduct an independent assurance of the environmental section of the 2004-2005 Stakeholder Impact Report (Report). The data and statements covered the period 1 October 2004 to 30 September 2005.

## Scope of Work

The scope of our assessment was to provide verification of the environmental data and statements and claims in the Report and identify areas for future improvement. This included verification of data, checking of implementation of procedures, interviews with Westpac staff and stakeholders and assessment against the AA 1000 principles of materiality, completeness and responsiveness.

We examined the following sections of the Report: Environment Case Study, Environment section and Factpac for 2004-05.

The assessment was limited to data and claims made for Westpac's Australian operations. New Zealand and Pacific Banking information was not reviewed.

The findings of the verification audit are presented below.

Verification of environmental claims

The environmental statements and claims made in the Report that were reviewed, were verified as correct.

## Data collection procedures

Westpac's procedures for collecting environmental data and deriving environmental performance indicators were acceptable and the assumptions made in deriving indicators were reasonable. The following improvements were made and implemented during the 2004-05 period:

- Comprehensive assessment of materiality of environmental issues (against the AA 1000 5-Part Materiality Test);
- Formalisation of the assurance and verification process in the Westpac Procedural Manual;
- Establishment of a Community Consultative Committee to identify and target key environmental issues and ensure responsiveness to stakeholder issues;
- Improved internal data sign-off procedures, including documentation of data sources and relevant key assumptions;
- Improved monthly data collection and sign off on data from suppliers;
- Improved consolidation and recording of data from suppliers;

- Increased reporting on waste recycling, including computers, toner cartridges and fluorescent tubes; and
- Improved documentation of supporting evidence for statements and claims.

Areas requiring further improvement include:

- Internal checking of data; and
- Updating of procedures and reporting manuals to more fully describe how data are obtained and used for new environmental indicators.

## Data verification

On the basis of GHD's audit of information available for the reporting period, the data, data presentation, methodology, calculations and assumptions were considered correct. Any data errors detected have been corrected in the final report. No misrepresentations were noted.

Most of the numerical environmental information is derived by Westpac suppliers. GHD has relied on baseline information from third party suppliers. GHD has not independently audited the suppliers' data collection procedures. However, this is recommended as part of the Sustainable Supply Chain Management supplier performance assessment for future years.

## Summary

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.

## Independence

GHD confirms that the audit team is independent from Westpac Banking Corporation.

## Full statement

A more detailed version of this statement, including scope of work, methodology, findings, recommendations, assessment against the AA 1000 principles (materiality, completeness and responsiveness), statement of independence and details of auditors can be found at [www.westpac.com.au](http://www.westpac.com.au)

Sue Trahair

Lead Environmental Auditor,

GHD Pty Ltd, Sydney, November 2005

# Financial Assurance Statement for 2005



## Audit opinion

In our opinion the numeric data, set out on pages 67 and 68 of the Financial Section of the Westpac Stakeholder Impact Report for the year ended 30 September 2005, 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 2005
- US Securities & Exchange Commission Form 20-F for the year ended 30 September 2005
- unaudited Australian Stock Exchange (ASX) profit announcement for the year ended 30 September 2005, and
- 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 67 and 68 of the Financial Section of the Westpac Stakeholder Impact Report (the Report) for the financial year ended 30 September 2005 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 2005.

### The auditor's role and work

We conducted an independent audit of the numeric data contained within pages 67 and 68 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 2005, US Securities & Exchange Commission Form 20-F for the year ended 30 September 2005, unaudited ASX profit announcement for the year ended 30 September 2005 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 members, 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 2005, US Securities & Exchange Commission Form 20-F for the year ended 30 September 2005, unaudited ASX announcement for the year ended 30 September 2005 and unaudited reports prepared by Westpac Banking Corporation management; and
- 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 basis of these procedures.

PricewaterhouseCoopers

DH Armstrong  
Partner

Sydney, Australia  
28 November 2005

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# Sustainability ratings



Ranked number 1 in the global banking sector, for the fourth year in a row.



Ranked number 1 in Australia and UK for corporate responsibility.



Included in the international ethical index FTSE4Good.



The only bank out of approximately 3,200 global companies to be awarded the maximum score by Governance Metrics International.



Included in the Australian SAM Sustainability Index (AuSSI).



Only Australian company to receive a AAA rating.

## We support

We support the below global instruments and initiatives which promote responsible business practices.

This report has been prepared in accordance with the 2002 GRI Guidelines. It represents a balanced and reasonable presentation of our organisation's economic, environmental and social performance.

David Morgan, CEO,  
Westpac Banking Corporation



**UNEP Finance Initiative**  
Innovative financing for sustainability



World Business Council for Sustainable Development



**The Equator Principles**  
A framework for financial institutions to manage environmental and social issues in project financing

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