

2019 Slavery and Human Trafficking Statement

This 2019 Slavery and Human Trafficking Statement sets out the steps Westpac¹ has taken to prevent modern slavery² in our business and supply chains globally during the financial year ending 30 September 2019. It has been prepared in accordance with Transparency in Supply Chains provision (section 54) of the United Kingdom's Modern Slavery Act 2015.³

Introduction

We believe that respecting and advancing human rights helps us to achieve our vision to help our customers, communities and people to prosper and grow. Accordingly, we have zero tolerance for all forms of modern slavery and human trafficking.

Due to operations in the United Kingdom (UK) surpassing the £36m⁴ turnover threshold, Westpac Banking Corporation is subject to the Transparency in Supply Chains provisions under the Modern Slavery Act 2015 (UK), which came into effect in March 2015.

We release an annual statement each year and this is our fourth Slavery and Human Trafficking statement. It outlines our commitment to advancing human rights and the steps we have taken to prevent modern slavery in our business and supply chains.

In the past year we have continued to increase the depth and breadth of our work on modern slavery, deepening our understanding and management of associated risks.

Key areas of action in 2019:

- assessed 98% of our top 100 suppliers by spend in Australia in accordance with our Responsible Sourcing Code of Conduct (RSCoC) to identify inherent environmental, social and governance risks;
- identified key categories of products and services that we procure with a higher propensity for modern slavery risk;

¹ In this statement a reference to 'Westpac', 'Group', 'Westpac Group', 'we', and 'our' is to Westpac Banking Corporation ABN 33 007 457 141 and its controlled subsidiaries. For a list of Westpac's controlled subsidiaries whose activities are covered by this statement refer to the 30 September 2019 Pillar 3 Report, which is available on our website.

² Modern slavery is defined by the United Kingdom Modern Slavery Act 2015 as including the offences of "slavery, servitude and forced or compulsory labour" and "human trafficking".

³ Westpac Group's first statement under the Australian Modern Slavery Act is due for release by 31 March 2021.

⁴ The UK Modern Slavery Act 2015 requires commercial organisations in any sector with a global annual turnover of £36m or more who do business in the UK to disclose the steps they are taking to address modern slavery in their business and supply chain.

- commenced identifying areas of uplift required to meet the requirements of the Australian *Modern Slavery Act 2018* (Cth) (Australian Modern Slavery Act);
- centralised the way we investigate whistleblower concerns and introduced a new online system with a simplified user experience;
- undertook extensive consultation with a supplier where we identified a potential area of concern. More information in the case study below;
- Westpac New Zealand Limited became the first bank to be accredited as a Living Wage employer in New Zealand. More information in the case study below;
- collaborated with and shared our perspectives on addressing modern slavery across several forums during the year, most notably through our participation in the Australian Border Force Conference on Modern Slavery, presentation to the Liechtenstein Initiative for a Financial Sector Commission on Modern Slavery and Human Trafficking and representation on the Australian Banking Association's Corporate Sustainability Working Group's inaugural discussion on Modern Slavery; and
- contributed to the development of the Australian Border Force's Guidance for Reporting Entities under the Australian Modern Slavery Act through representation on the Expert Advisory Committee joining other key stakeholders from academia, government, business and other community stakeholders.

The Australian anti-money laundering and counter-terrorism financing regulator, AUSTRAC, has recently made serious claims in relation to Westpac's transaction monitoring, in particular the monitoring of child exploitation risks. Westpac is committed to resolving this matter with AUSTRAC and to urgently fixing our issues around financial crime compliance. We are implementing our Response Plan and are determined to lift our standards, ensuring our anti-money laundering and other financial crime processes meet our obligations in this critical area. Further information is set out below.

Our business and supply chain

We are one of the largest financial institutions in Australia and New Zealand. We provide a broad range of banking and financial services in these markets, including consumer, business and institutional banking and wealth management services.

We have branches, affiliates and controlled entities throughout Australia, New Zealand, Asia and in the Pacific region as well as maintaining branches and offices in New York and London.

Through our operations, we deliver services to 14.2 million customers, employ over 36,000 people across the Group and buy goods and services from approximately

30,000 suppliers. In FY19, we spent AU\$6.5 billion with suppliers across Australia and New Zealand.

Our major areas of spend fall within:

- IT and telecommunications
- Enterprise Services, which include banking services, logistics, services supporting our property footprint, security, travel and entertainment, tools of trade and office supplies, training, recruitment and contingent workforce services and professional services.
- Customer engagement, which includes marketing and digital services, services supporting our products, our digital channels and call centres.

More information about our business is set out in our 2019 Annual Report and 2019 Sustainability Performance Report available at www.westpac.com.au.

Policies and controls

Our [Human Rights Position Statement and Action Plan](#) (Human Rights Position Statement) guides our overall approach to managing human rights including modern slavery in line with our degree of influence as an employer, financial services provider, buyer and proud supporter of our communities. The Human Rights Position Statement is reviewed every three years.

Our approach is guided by the UN Guiding Principles on Business and Human Rights (UNGPs) and we report our progress in line with the UNGP Reporting Framework's principles and criteria in our annual Sustainability Performance Report. We are also a signatory of the United Nations Global Compact.

Supporting our Human Rights Position Statement, we have several principles, policies and frameworks in place to assist in mitigating human rights risks in our business and supply chains, including:

- [Principles for Doing Business](#), which sets out how we aim to conduct ourselves, including in the areas of governance and ethics, customer and employee practices and supply chain management.
- Sustainability Risk Management Framework, which sets out our approach to managing, escalating and reporting on material sustainability risks in relation to our lending and investment decisions, supply chain management, operations, and employees. This framework defines human rights risks (including modern slavery) as a form of social sustainability risk.
- [Responsible Sourcing Code of Conduct](#), which communicates our commitment to sustainability in all business activities and to conduct business with organisations who share our commitment to these standards and who operate in an ethical, socially and

environmentally responsible manner. The RSCoC requires our suppliers to not breach employment laws and regulations (including, but not limited to, laws around minimum wages, discrimination, and/or harassment) and to not participate in any forms of forced and compulsory labour or the worst forms of child labour.

- A Group Financial Crime Risk Management Framework that addresses anti-money laundering & counter-terrorism financing, bribery and corruption; tax transparency; and economic and trade sanctions violations.⁵ This is supported by specific policies for each identified area of financial crime risk as well as standards, risk models and guidance for employees.
- Operating principles and policies, which include our:
 - [Code of Conduct](#), which sets out our expectation that all employees always comply with applicable laws and act with honesty and integrity. Together with our Vision, Values and Service Promise, our Code of Conduct forms part of 'Our Compass' which is a framework which organises in one place the key guidance for employees on our cultural and behavioural expectations. It aims to empower employees to make decisions that are consistent with our values, and to challenge decisions that may not be.
 - [Westpac Group Speaking Up Policy](#), which provides guidance on how to raise a concern about suspected or actual unethical or unlawful behaviour and extends to all current and former directors, employees, temporary staff, service providers and suppliers. This year we centralised the way we investigate concerns and introduced a new online system with a simplified user experience.

Risk management and due diligence

The Global Slavery Index 2018 estimated that on any given day in 2016, there were around 40.3 million people living in conditions of modern slavery, including approximately 15,000 people in Australia⁶.

Risk management and due diligence in our Supply Chain

We recognise that sustainability impacts may reside in our supply chain and that positive change can be achieved through purchasing more responsible products or services and working collaboratively with suppliers to positively influence sustainability performance.

⁵ More information on our approach to Anti-money laundering and counter-terrorism financing at: <https://www.westpac.com.au/about-westpac/westpac-group/corporate-governance/aml-counter-terrorism/>

⁶ 2018 Global Slavery Index available at: <https://www.globallslaveryindex.org/2018/data/maps/#prevalence>

Managing risk through our Responsible Sourcing Program

Our Commercial Services team play a key role in identifying and managing sustainability risk in our supply chain, overseeing the Responsible Sourcing Program and the application of the RSCoC. The RSCoC sets out our standards of ethical, social and environmental business practices required for suppliers.

We regularly assess suppliers against the RSCoC through supplier assessments which may incorporate screening, self-assessments and direct engagement with suppliers. For suppliers with an inherent medium or high risk rating, we require them to demonstrate where they have the necessary policies, systems, processes and performance levels to mitigate their risk. Suppliers that are rated medium or high risk post the assessment are reported internally and have an enhanced level of engagement during the delivery of contracts.

Where we have identified issues of concern outside of our risk appetite, we seek to better understand the suppliers' processes and practices and work with them to resolve and improve these. Our approach is to utilise our relationship with the supplier to affect positive change. We have a range of engagement and improvement options available including the right to conduct an audit and the inclusion of responsible sourcing obligations within our contracts. In the event a supplier does not improve to our expected level, we also have the option to terminate our relationship with them.

This year, 98% of our top 100 suppliers by spend in Australia were assessed in accordance with our RSCoC to identify inherent environmental, social and governance risks. This included new suppliers in Australia as well as those whose assessments may have expired or required review due to changes in products or services provided.

To further strengthen our approach to managing modern slavery risks in our supply chain, we established a project workgroup with representatives from across the bank. As a start, the workgroup is undertaking further due diligence of our supply chain activities, with a focus on categories of concern. To date, we have identified a number of categories of concern such as labour hire, cleaning and maintenance, offshore service providers etc. These are areas, based on international reporting and research, where we are more likely to uncover evidence of modern slavery through supply chains. Identifying these categories assists us in undertaking a risk-based approach to assess products and services that pose the greatest risk, regardless of their size or spend.

WORKING WITH SUPPLIERS TO INFLUENCE OUTCOMES – CASE STUDY

We have successfully been working with a supplier over the duration of our contract where we identified a potential area of concern which was outside our risk appetite and our commitment to human rights as outlined in our Human Rights Action Plan.

Through extensive consultation with the supplier, we identified several areas of improvements such as:

- developing their own policy on human rights
- benchmarking their human rights performance against their industry peers in Australia and internationally
- setting internal expectations through regular training and communication
- integrating human rights controls into their internal systems

We used these improvements as focus points during our regular supplier engagement discussions and identified specific time-bound actions which we have tracked over the term of the contract.

Our experience with this supplier enabled us to develop an approach to managing human rights risks of this nature in our supply chain for the future. This also demonstrated to us that suppliers are willing to uplift their own approaches with the right guidance and support which enables broader positive change.

PAYING A LIVING WAGE IN NEW ZEALAND – CASE STUDY

In New Zealand, Westpac New Zealand Limited became the first bank to be accredited as a Living Wage⁷ employer, voluntarily adopting the Living Wage.

Cleaners, security guards and other workers employed through our contractors and suppliers on a regular and ongoing basis may not earn as much as our own employees. Working with our business partners on paying a Living Wage is one way we can help to raise living standards, improve financial wellbeing and address poverty.

With guidance from Living Wage Aotearoa, we reviewed more than 3,000 suppliers, and engaged with a small number of those we found were not already paying their staff a Living Wage.

Westpac New Zealand will work closely with these contractors and suppliers to introduce a Living Wage between 2019-2021 as their contracts are renewed. These changes will positively affect about 480 workers in occupations such as cleaning, catering, security, trades and call centres.

We recognise the challenges associated with mapping supply chains several tiers down and undertaking due diligence activities, especially in instances far removed from our direct sphere of influence. We will continue to work on our approach to address these challenges and collaboratively engage across our various stakeholders to manage modern slavery and broader human rights risks in our supply chain.

⁷ The Living Wage is the hourly rate a worker and his or her family is deemed to need to pay for the necessities of life and actively participate in the community. It is set independently by the New Zealand Family Care Social Policy Unit. At the time of Westpac's accreditation (December 2018) the rate was \$20.55 per hour and the minimum wage set by the Government was \$16.50 per hour. See www.livingwage.org.nz for more information about the Living Wage.

Risk management and customer due diligence

Customer due diligence (including customer identification, verification and ongoing customer due diligence) is performed on all customers in accordance with our Financial Crime Risk Management Framework. As part of this process new customers are risk assessed through a model and assigned a risk rating. Enhanced customer due diligence is performed on customers where Westpac determines that the customer presents a high money laundering or terrorism financing risk.

Preparing for reporting in line with the Australian Modern Slavery Act

With the introduction of the Australian Modern Slavery Act, we have begun work to embed its requirements into our operations and supply chain activities. We will be publishing our first Australian Modern Slavery Statement in 2021; reporting on our activities for the FY20 period..

We are currently working on updating the next release of our Responsible Sourcing Assessment to formally include references modern slavery. We will also be updating supplier contract clauses to formally include modern slavery requirements.

Training

Enhancing awareness and understanding of our employees through engagement, training and building capability contributes to our people strengthening the application of our RSCoC to improve identification of modern slavery and human trafficking in our supply chain as part of our day to day operations.

Training in our responsible sourcing requirements is a mandatory requirement for our dedicated IT and non-IT sourcing teams. Commercial and vendor managers within these teams undertake training annually on our RSCoC which is inclusive of human rights and aspects of modern slavery. In particular on the Australian modern slavery legislation, impacts to business and key risks that they need to be across in their own procurement activities.

In early 2019, we also shared our perspectives on modern slavery and the role of Australian banks, particularly with the introduction of the Australian Modern Slavery Act, with the members of our Stakeholder Advisory Council. The Stakeholder Advisory Council is an external committee that provides advice and insights to our Executives and sustainability leaders on the Group's approach and performance on issues and opportunities that are most material to the sustainability of the Group and its stakeholders.

We also briefed teams across our UK, US, Pacific, Asia and New Zealand operations on the requirements of the Australian Modern Slavery Act, as well as engaged key

suppliers to understand their processes to ensure readiness in the event they are subject to the requirements of the Act.

Beyond our supply chain, we provided training to improve identification of human rights risks in our lending activities by providing guidance materials and training for employees working with customers in high risk sectors and geographies.

Collaboration across industry

We recognise the important role of collaboration in tackling Modern Slavery.

We were invited to participate on the Australian Border Force Expert Advisory Committee (previously the Department of Home Affairs) to assist in the development of the Modern Slavery Guidance for Business. Through this forum we shared our experiences in managing supplier risk and undertaking risk-based approaches identifying categories of products and services that might have a higher propensity for modern slavery related risks.

Earlier this year, we were the only Australian bank to contribute to the Liechtenstein Initiative for a Financial Sector Commission on Modern Slavery and Human Trafficking - a public-private partnership that aims to put the financial sector at the heart of global efforts to end modern slavery and human trafficking.

We have also joined the Australian Banking Association's (ABA) Corporate Sustainability Working Group to promote the implementation of best practice approaches to modern slavery within the ABA membership.

We further shared our insights on our approach to managing modern slavery, within our broader Responsible Sourcing program, at a variety of external forums including the (then) Dept. Home Affairs conference on the Modern Slavery Act in June 2019 and the Financial Services Commission Summit in August 2019.

We have also been sharing our insights with our customers, suppliers, investors and representatives from civil society through several interactive forums held during the year.

AUSTRAC Civil Proceedings

On 20 November 2019, AUSTRAC commenced civil proceedings against Westpac in relation to alleged contraventions of our obligations under the Anti-Money Laundering and Counter-Terrorism Financing Act (AML/CTF Act). The proceedings relate to non-reporting of a large number of International Funds Transfer Instructions (IFTIs),

alleged failings in relation to record keeping and the passing on of certain data required in IFTIs, failure to comply with correspondent banking obligations, AML/CTF Program failures and contraventions of ongoing customer due diligence obligations in relation to 12 customers (who were allegedly not monitored with a view to identifying, mitigating and managing child exploitation risks).

Westpac is committed to resolving this matter with AUSTRAC and urgently address any remaining issues identified in the Statement of Claim.

AUSTRAC response plan

On 24 November 2019, Westpac released a Response Plan in relation to the issues raised by AUSTRAC. The Response Plan included a comprehensive set of actions across three areas:

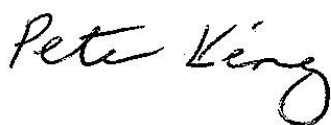
- Immediate fixes, including closing two products;
- Lifting our standards, including priority screening and improving cross-industry data sharing; and
- Protecting people, including investments to reduce the human impact of financial crime.

We are committed to implementing the Response Plan and will work constructively with AUSTRAC throughout this process.

The newly established Westpac Board Financial Crime Committee has commissioned Promontory to provide assurance over Westpac's assessment of management accountability and the adequacy of Westpac's Financial Crime Program. In addition, Westpac has established an Accountability Review advisory panel of three independent experts who will review Board risk governance and Board accountability in relation to the issues raised in AUSTRAC's Statement of Claim. The recommendations of the reviews will be made public.

For more information on these proceedings and the steps Westpac are taking in response, please see our website: <https://www.westpac.com.au/about-westpac/media/austrac-civil-proceedings/>

This statement has been approved by Westpac Group's Acting Chief Executive Officer and Managing Director, under delegated authority from the Group's Board of Directors.



Peter King
Acting Chief Executive Officer and Managing Director
March 2020