We recognise that as a major organisation with relationships across a number of sectors, we are in a strong position to engage with our suppliers to generate greater sustainability across our entire supply chain.

We seek to ensure that our suppliers:

· are aware of their specific environmental, social and ethical issues;
· have management systems in place to address these issues, risks and opportunities; and
· have systems that are delivering effective performance management and improvement.

We award business on merit and aim to secure products and services on the most appropriate terms. Our Request for Proposal (RFP) 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.

By working with our suppliers to better understand environment, social and governance risks and opportunities, we aim to build capacity across all of our supplier relationships.

What do we believe?

We believe that the actions of our suppliers are important factors in our own performance.
Why do we do it?

Diane Sias, Group Executive, Business & Technology Solutions & Services

The supply chain probably isn’t the first thing people think about when they think about banks and sustainability.

High profile supply chain issues and pitfalls often seem more relevant to manufacturing businesses. But when we began looking at the sustainability performance of our supply chain and the inherent risks and opportunities which can also lie in supplier relationships, we realised they were just as relevant for a services company like Westpac.

We soon realised there are pros and cons and complexities for everyone involved. So our approach has been to tread carefully and to work out an approach which builds capacity and hence creates value for all parties involved before making any decisions.

With over 10,000 suppliers, the supply chain is a major part of our social, ethical and environmental impact. So we scrutinise them on the basis of these factors and impacts, alongside the traditional criteria of quality, cost and so on.

There is value all around as we jointly manage our mutual footprint – and take both risks and costs out of the supply chain.
When Westpac asked us to respond to its Sustainable Supply Chain Management (SSCM) survey in 2005 I must admit we were somewhat confused about what it had to do with us. After all, it was hard to see where we slotted into the scheme. As a private partnership, we had no public reporting requirements. We had a great reputation as an employer and we had numerous long-standing pro-bono and community initiatives. Our impact on the environment was minimal, and anyway we were undertaking a range of recycling initiatives. So we entered the process without too many concerns.

That is, until we saw how poorly we scored on the SSCM Questionnaire – and realised how seriously Westpac viewed our performance as one of its top 100 suppliers. Suddenly, it was time for a re-think.

The first step was to closely engage with Westpac to understand the deeper intent behind the SSCM process. We worked together to define the sustainability obligations in terms that were relevant to us. It became clear that at Henry Davis York we hadn’t articulated many existing initiatives that contributed to our sustainability, and there were some issues that we could usefully address.

We quickly set about making changes. We had already won awards for our performance as an employer but now we made our employment practices explicit and transparent. We engaged with the lessor of our building to improve our environmental performance, and together we put in place a range of initiatives, including developing our own energy reduction program, then supplementing this by purchasing 25% of our tenant energy from renewable resources, installing water flow limiting devices on all plumbing and implementing better recycling practices.

Sustainability, we soon realised, is not rocket science, it’s about a set of attitudes and processes. Most of all, it’s about commitment. Our many relatively small changes had an immediate impact: when we re-did the SSCM survey, we achieved a top quartile performance. More importantly, we had gone from being passengers on the sustainability journey to active and engaged partners with Westpac.

Now we are entering a new phase. Earlier this year Westpac asked us to participate in a pilot program to validate the SSCM process. Frankly, we were apprehensive about an external auditor poring over our documents and processes. But we need not have worried. The experience has been overwhelmingly beneficial and reinforced our existing processes and practices by adding some external independent validation. We’ve come away with great feedback, plus new ideas such as more frequent staff surveys, succession planning for leadership of our pro-bono and community work, and incorporating environmental awareness into our induction programs.
In just two years, Henry Davis York has made a big transition. What seemed at first like a distraction has taken our longstanding relationship with Westpac to a new level of trust and transparency.

We see the clear business and social benefits of a systemic approach to corporate social responsibility. We know this will help us market ourselves to other clients who share the same values, and help attract new employees.

Seeing ourselves as part of the supply chain of a large and sophisticated organisation like Westpac provides a framework for sustainability progress that we could not produce in isolation. We now look forward with enthusiasm to the opportunities ahead.

Kelvin O’Connor
Chief Information Officer and Head of Corporate Responsibility
Henry Davis York Lawyers

SUPPLIERS

SSCM Code of Conduct

In 2006 we undertook a detailed review of our Sustainable Supply Chain Management (SSCM) process. We discovered that while our SSCM Questionnaire is an excellent tool for assessing high spend, high risk and strategic suppliers, it is not the best way to engage all our 10,000 suppliers, especially SMEs. In 2007 we set out to remedy this.

We concluded that an “SSCM Code of Conduct” – a statement of the minimum ethical, social and environmental business practices required of our suppliers – would be a useful starting point.

We took a good look at what already exists in the marketplace, and noted that much of it is principle based, rather than practical. Beautifully worded ethical or sustainable purchasing policies and statements inspire, but too often do not lend themselves easily to measurement, reporting and validation, which we know are essential to achieving real change.

We drafted a Code that is universal, measurable, unambiguous, and transferable down the supply chain.

We then set out to engage our suppliers, employees and the broader community on our draft. We posted it on the Westpac website, circulated it to suppliers and non-government organisations, and presented it in numerous internal and external consultation forums. The feedback was frank and constructive.

In the end we have settled on a document that clearly states our aspiration – the practices we favour in our supply chain – and our minimum standard – the practices we will not do without. Some of the latter are captured in Australian law, but perhaps not in the laws of other countries. Many are simply good business sense and responsible corporate citizenship. All are readily achievable by companies who care about employees, customers and the community.

Going forward all Westpac contracts will require suppliers to be compliant with our SSCM Code of Conduct. In addition, our high spend, high risk and strategic suppliers, around 200 companies who constitute approximately 70% of our supply chain spend, will continue to complete the more detailed SSCM Questionnaire and be required to address gaps in their sustainability performance.

Our SSCM Code of Conduct is available at
Suppliers – Actions

What are we doing?

With nearly four years of integrating sustainability considerations into our supply chain behind us, it’s fair to say we’re still learning.

Our supply chain

Our supply chain includes large and small, local and global suppliers, and provides goods and services to the Group’s major business units and over 22,000 employees across our operations. While $3 billion dollars of spend is spread across approximately 10,000 suppliers, 62% of it is concentrated in the top 1% – our “Top 100 suppliers by spend”. However we are cognisant of the benefits and responsibilities of having a diverse supply chain. Where a small to medium enterprise can compete effectively for our business, we welcome their participation in our supply chain.

Our Sustainable Supply Chain Management (SSCM)

Our sourcing strategies need to be dynamic and responsive, so too our approach to Sustainable Supply Chain Management (SSCM). Following our SSCM review in 2006, much of what had to be done in 2007 was clear. The review concluded that we needed to:

- Better engage our stakeholders – both inside and outside of Westpac;
- Streamline SSCM by introducing a “Code of Conduct”;
- Shorten and clarify our SSCM policy;
- Build reporting tools to improve SSCM monitoring in supplier relationship management;
- Validate our suppliers’ self-reported performance; and
- Clarify how SME suppliers fit within our sourcing strategy.

Overseen by the SSCM Steering Committee, with representatives across five Westpac business units, we have established a series of projects and pilots to advance the tasks above. As we launch our new SSCM Code of Conduct, SSCM policy, and significant changes to our SSCM processes in 2008, we are well supported by the outcomes of this work.

In July 2007 we held a Supplier Forum addressing a broad range of issues, including SSCM progress and future directions. In May and June, SSCM specific forums were held with a combination of supplier and non-government organisation participants to discuss the proposed Code of Conduct. Within Westpac, 12 internal consultation forums were held on the Code with employees across a wide range of the bank’s business units.

Throughout this year we have developed a set of Sourcing Principles to guide all our employees who interact with suppliers, and in the year ahead these will be communicated widely.

In addition, we have started to tackle the social, ethical and environmental credentials of some of the products we purchase, separately from the credentials of the companies that supply them. As discussed in the Environment section of this report, we have developed a Paper Purchasing Policy and IT Purchasing Guidelines, following detailed consultation with internal and external stakeholders.

Our SSCM performance

More than 400 suppliers have now completed an SSCM assessment, including 85% of our Top 100 suppliers, up from 75% last year and constituting 94% of the Top 100 spend.

Our SSCM scoring database includes both suppliers and other vendors who sought to do business with us and were unsuccessful. Assessing and scoring suppliers is a dynamic and continuous process, and companies in the database may have been in a relationship with Westpac for an extended time, very little time, or never. Consequently the average sector performance (score) of suppliers does not necessary reflect our progress within that sector.

We use the database to inform ourselves and our suppliers about performance across the market, rather than to demonstrate the effectiveness of our process. So we are reluctant to remove suppliers who have had no or limited contact with Westpac. We will continue to explore mechanisms for demonstrating the success of our process, but our priority at this time is to engage our suppliers in a journey.

Forty-three Sustainability Action Plans, or SAPs, have now been completed, committed to, or are in the process of being agreed with 63% of our target, priority group of current under-contract suppliers with spend above $1 million.

New SSCM tools and processes

Having undertaken limited validation of our suppliers’ self-reported sustainability performance, this year we enlisted the help of eight of our suppliers in a project to pilot different methods of validation. These varied from providing documentary evidence to support answers, to detailed explorations with suppliers of issues material to their operations, and innovative ways to improve performance. Banarra Sustainability Assurance and Advice undertook this pilot on our behalf.

The outcomes will be used to identify areas for SSCM process improvement, protect the integrity of the SSCM process, and determine effective ways to engage suppliers of different types and risk profiles in the future. From 2008, a group of suppliers will be selected for validation each year.
SUPPLIERS

Our website now hosts tools and resources to support widespread implementation of the SSCM Code of Conduct. The majority of our suppliers by number, although less than a third of our supply chain spend, will now only be required to comply with this Code, making the SSCM process easier for them to manage and less resource intensive for us to implement. Our high spend and high risk suppliers, who constitute around 70% of our total sourcing spend, will still be required to comply with the current, rigorous process.

This change to our SSCM process will enable us to focus our resources to engage more of our suppliers, help our suppliers to engage their suppliers, and to improve the management of our supply chain to high standards of social, ethical and environmental business practices.

Showcasing best practice in the supply chain

With nearly 4 years of operation behind us, it’s fair to say we’ve learnt a lot about SSCM. Perhaps most important of all is that every organisation’s journey towards sustainability is different, and all are valid.

This year we asked 10 of our suppliers to share their stories of moving towards sustainability, and are publishing these as a set of case studies. We have also shared our own journey at a number of conferences throughout the year. Not because we think ours is the only way to tackle the task, but because it is worth talking about all the ways to do it.

We hope these supplier case studies will inspire and instruct other companies by demonstrating that, no matter your size or what industry you represent, the journey to sustainability is achievable.

OUTCOMES

How did we do?

2007 objectives

Develop and implement an SSCM Code of Conduct. Document completed, consultation held and supporting materials developed.

Review and refresh the SSCM policy, assessment tools and supporting materials. To be launched late 2007.

Refine implementation of the SSCM assessment and continuous improvement processes to ensure high spend and higher risk suppliers are appropriately monitored. New SSCM Code of Conduct will enable greater focus on high spend and high risk suppliers.

Improve SSCM assessment and support materials for SMEs. Additional support materials and case studies for SMEs developed. Completed a validation pilot focused on SMEs.

Convene a supplier representative group to inform SSCM policy. Convened for specific issues and annual Supplier Forum incorporated information on SSCM directions.

2008 objectives

• Roll out the SSCM Code of Conduct to all business units.

• Continue to ensure high spend and higher risk suppliers are subject to detailed screening of social, ethical and environmental business practices.

• Roll out standardised validation of suppliers’ SSCM assessment.

• Establish a 'standing forum' for Suppliers and Non-Government Organisations (NGOs) to provide input to our SSCM processes.

• Engage our suppliers in discussions on Greenhouse Gas Emissions (GHGs) embedded in our supply chain.