

2013-2017
SUSTAINABILTY
STRATEGY



**A BRIGHTER FUTURE
STARTS TODAY**



We have a strong track record in sustainability. Given our history as Australia's oldest company and first bank, it's only fitting that Westpac was among the first to embrace sustainable business principles.

In many ways sustainability has simply become part of the way we do business. But when we look at the world around us, many of the issues we identified in our early sustainability reports remain challenges not only for our business but for the broader community. We have also seen new issues emerge.

Business as usual, even a more sustainable business as usual, is not enough.

Whilst we will continue with the actions we were quick to embed, such as sustainable sourcing practices and responsible lending and investment policies, we're increasing our efforts on the emerging societal issues where we have unique skills and expertise to bring about meaningful change.

Why? Because our people are passionate about it, because it makes sense for our business, because it's part of who we are.

Because we know that tomorrow won't wait.

Over the past 18 months we have been working internally and externally to assess what we think might evolve over the next 30 years, and have identified three priority issues for action:

- Responding to the big shifts of demographic and cultural change
- Creating economic solutions to environmental challenges
- Helping customers achieve sustainable financial futures in a changed landscape

We have deliberately focussed on the issues most material to our role as a financial institution, and where we have the skills and resources to make a meaningful impact both inside and outside the walls.

We want to step up and work on solutions to these issues – while encouraging others to do the same.

The following five-year strategy is our next step and our starting point. With issues changing and developing over time, this agenda is a work in progress, and we'll work with our stakeholders to continually refine and develop our focus.



UNDERSTANDING THE ISSUE: ANTICIPATING THE BIG SHIFTS OF DEMOGRAPHIC AND CULTURAL CHANGE

Demographic change is a key social and economic challenge facing Australia. Low fertility rates and increased life expectancy mean Australia's population is ageing. The implications are skills shortages and a bigger picture of slower economic growth. With a high proportion of the population already working, we will need to think more creatively about how we find and develop the employees of the future - that includes targeting groups that have traditionally been underemployed. But it doesn't stop with us. We need to help our business customers who are facing the same issues and think about demographic and cultural change when building the products and services of the future, especially as we move into Asia.

What we expect to see:

- Unprecedented skill shortages in our region. This will impact our own business but also many customers' businesses and the productivity of the Australian economy as a whole.
- An increase in cultural diversity - within our own workforce as we expand into Asia, our customer base, and the broader community.
- A shift in focus from immediate skills shortages to the bigger picture of Australia's future prosperity and material living standards.

Facts and figures:

- Between 1901 and 2010, the proportion of people aged 65 and over grew from 4% to 14% and is projected to reach nearly 25% by 2050.
- The aged dependency ratio has fallen significantly from 7.5 people of working age to support every person aged 65 and over in 1970 to five in 2010 and is projected to fall to 2.7 by 2050.
- Despite recent increases, Australia's mature age participation rate is below that of comparable countries including the United States, United Kingdom, Canada and New Zealand.

ACTING ON THE ISSUE

Our initial focus is to improve participation - to attract the widest range of talented people and then use best practice flexible work practices and a wellbeing model to improve participation throughout working life. We'll meet our own skill needs and share what we learn with customers, business peers and government.

Objective 1: Ensuring our workforce is representative of the community

With overall workforce participation quite high, we need to identify and encourage participation amongst groups that are underrepresented in the workplace.

Initially we will focus on:

- Increasing the participation and earning potential of groups currently underrepresented in the workplace through career entry, development and flexible work practices.
- Championing the financial and broader wellbeing of 40+ women across the Westpac Group and nationally.
- Launching leading flexible work practices, understanding that flexibility and mobility are key enablers of participation.
- Promoting the productivity benefits for Australia of a diverse and representative workforce.

Objective 2: Extend working lives and quality of life

It's our goal to provide our employees with the opportunity to extend the length and quality of their working lives, and to work with customers, the Government and other partners on the same challenge. This means helping our people understand the factors that influence their participation in work and their ability to adapt to a changing employment landscape throughout their working life. Ultimately we want to change the way Australians think about their wellbeing at work.

To do this we will:

- Roll out a practical tool, Wellbeing at Westpac, to benchmark wellbeing across the Group.
- Establish targets and develop programs to help employees improve their individual wellbeing scores.
- Increase the average retirement age of our employees.

Objective 3: Anticipate future needs of ageing and culturally diverse customers

The impact of these demographic changes will stretch well beyond our own workplace. One aspect we want to tackle is to encourage a national discussion on the factors that shape financial wellbeing - and encourage Australians to understand and more actively manage their own financial wellbeing.

We will:

- Develop products and services that support an increase in financial wellbeing.

UNDERSTANDING THE ISSUE: PROVIDING ECONOMIC SOLUTIONS TO ENVIRONMENTAL CHALLENGES

Accelerating environmental decline, increasing scarcity of natural resources such as water and arable land, as well as issues of energy security and the continuing response to climate change, all mean we are seeing systemic change in the way natural resources are accessed and valued. This will have a significant impact on our customers, our communities and, in turn, our own operations.

What we expect to see:

- A need to focus on the efficient use of all natural resources, coupled with more sophisticated analysis of the interconnections and dependencies between natural capital and economic growth.
- Growing appreciation of the economic value of environmental resources.
- The physical, market and regulatory impacts of climate change.
- A growth in environmental services and sectors including clean energy, clean technology and waste and recycling.
- Increasing focus on environmental outcomes as a core measure of operational efficiency for business.
- Purchasing decisions will be influenced by consumers' growing awareness of environmental impacts.

Facts and figures

- As developing countries industrialise, demand for material resources will increase dramatically: the extraction of minerals, metals and biomass is projected to increase 55% from 2010 to 2030.
- More than 4 billion people are now living in water-stressed and water-scarce regions; global demand for freshwater is projected to exceed supply by 40% by 2030.
- International Energy Agency projects world primary demand for energy to increase by one third from 2010 to 2035.
- Without action, average global temperatures could increase by 4° C by 2100. (Source: World Bank: Turn Down the Heat: Why a 4 degree world must be avoided).



ACTING ON THE ISSUE

While the environment and the economy are often seen as being at odds, our focus is on products and services which both help customers prosper and manage environmental outcomes, and supporting the emerging CleanTech and environmental services sector.

Objective 4: Provide solutions that help customers adapt to environmental challenges

Customers will need access to new, innovative products and services that can help them respond to the pressures of these environmental challenges.

- We will launch one product or service each year to help our retail customers meet their environmental challenges.

Objective 5: Lending and investment in CleanTech and environmental services

We will see new sectors emerge to help address these issues. We will support these businesses by:

- Making up to \$6 billion dollars available for lending and investment to the CleanTech and environmental services sector.

Objective 6: Reducing our environmental footprint

We will continue to play our part in reducing the environmental impacts of our own operations. We reduced our emissions by over 40% between 1996 and 2008. Since then we have reduced these by a further 7%. And while we've achieved great strides in reducing our footprint, there's always more we believe we can do. In recognition of this we will:

- Make our operations carbon neutral over the period 2013 to 2017.
- Continue to reduce our own environmental footprint:
 - Move eight of our Sydney locations to Barangaroo, Australia's first large-scale carbon neutral community.
 - Reduce our electricity consumption for retail and commercial sites by 10% per square metre.
 - Make our data centres more efficient, targeting a power usage effectiveness ratio (PUE) of 1.6.
 - Reduce our use of office paper by 5%.
 - Increase our Sydney head office recycling rates to 75%.



UNDERSTANDING THE ISSUE: CREATING SUSTAINABLE FINANCIAL FUTURES

We recognise that long-established assumptions about personal wealth creation have changed. Our opportunity is to help our customers achieve a sustainable financial future in this changed environment. This means new paths of wealth creation that are less dependent on debt, supported by new models of education and advice.

What we expect to see:

- The concept of retirement continues to evolve to include extended periods of transitioning from the paid workforce.
- The Australian population is aging and living longer and there is an increasing need for sustainable income streams.
- Wealth creation will increasingly rely on longer term strategies rather than “catch-up” strategies at the end of a working life.
- Asset allocations will continue to be more diversified. The use of debt in building wealth will continue to be important, however it will remain subdued compared to the period preceding the global financial crisis.

ACTING ON THE ISSUE

Our initial focus is on the customers already retired or close to retirement, who face the most immediate challenge of funding their retirement in this changed environment.

Objective 7: Ensure all our customers have access to the right advice to ensure a secure retirement

We will make advice available to all Australians in a way which best suits their needs and circumstances.

To do this we will continue to:

- Develop and provide a range of advice solutions depending on how customers prefer to access advice.
 - Comprehensive advice through our Advice and Private Bank businesses.
 - General and single-topic advice on superannuation and insurance through our Scalable Advice team.
- Advise more customers by increasing our capacity and growing the number of planners.

Objective 8: Help our customers meet their financial goals in retirement

Longer life expectancy for Australians and the need to generate a sustainable income means retirees have unique financial goals. Through a combination of innovative products and the right advice at the right time we want to help Australians achieve a more sustainable income in retirement.

To do this we will continue to:

- Develop innovative solutions that support their needs and aspirations as they prepare for retirement.

Objective 9: Increase access to financial services in the Pacific

Achieving sustainable financial futures in the Pacific is a different challenge altogether. The region's geography and poor infrastructure as well as the subsistence livelihoods of many Pacific Islanders all contribute to poor financial inclusion. For many, having a bank account is a fundamental building block for improved money management and a more sustainable financial future.

- Our goal is to provide access to basic and affordable banking to an additional 300,000 Pacific Islanders, with the aspiration that 50% of these will be women.
- Our approach is a combination of 'In-Store' banking, the Basic Choice Account, and a new model of financial literacy model.

Objective 10: Help people gain access to social and affordable housing

The shortage of social and affordable housing in Australia and New Zealand is a significant feature of the changed financial landscape. We want to bring our skills and financing to bear on this priority community need. We will:

- Make up to \$2 billion available in lending and investment to help people gain access to social and affordable housing.
- Support the development of these sectors through an annual Social and Affordable Housing forum.

EMBEDDING SUSTAINABLE BUSINESS PRACTICES

1991	One of nine founding members of the United Nations Environment Program Finance Initiative (UNEPFI).
1992	First bank in Australia to publish an environmental policy.
1996	First bank to join the Australian Greenhouse Challenge to measure and manage greenhouse gas emissions Westpac first awarded Federal Government 'Employer of Choice for Women.'
1997	First Australian bank and one of the first companies to create a formal community volunteering scheme.
1998	First Australian bank to launch a workplace giving program - 'Matching Gifts.'
2000	Founding signatory to the UN Global Compact. Published the Social Accountability Charter, subsequently revised and expanded as Westpac's Principles for Doing Business. Launched the first Socially Responsible Investment (SRI) product in Australia.
2001	Formation of Westpac Board Social Responsibility Committee to consolidate Board oversight of sustainable business practices. First Australian environmental and social ratings process - for the Australian Sustainability Share Fund. Founding Partner in the Cape York Indigenous Enterprise Partnership. Included in the Dow Jones Sustainability World Index from 2001 onwards including global sector leadership from 2002-2007 and 2011.
2002	First Australian bank to publish a sustainability report. Launch of Financial First Steps, a financial literacy program to help young people better manage their money. First Australian bank to trade Renewable Energy Certificates. One of nine founding signatories to the Equator Principles. New Environment Management System developed. First Australian bank to establish sustainable supply chain policy and process.
2004	Formation of the Community Consultative Council as Westpac's peak external stakeholder body. Ranked first in the Business in the Community Australian Corporate Responsibility Index (also in 2005 and 2006). Included in the Carbon Disclosure Project's first Climate Leaders Index (and for the period 2004-2011). Alignment of financial and sustainability reporting.
2005	Enhanced family-friendly policies, including doubling paid parental leave.
2006	Part of the Australian Business Roundtable on Climate Change which released the groundbreaking report 'The Business Case for Early Action'. Held one of Australia's first briefings on intangible value for mainstream institutional investors. Westpac's first inclusion in the World Economic Forum Global 100 Most Sustainable Corporations (also from 2006-2008 and then 2010-2013).
2007	Endorsed the UN Principles for Responsible Investment. Developed the Principles for Responsible Lending, and launched Westpac Assist - a specialist team which proactively assists customers with repayment issues, offering solutions to help them manage their debt.
2008	Longer term sustainability objectives formalised within core business strategy. Launched a five-year climate change strategy.
2009	First Australian bank to begin integrating financial and sustainability reporting. Commenced mainstream training on climate-related risk.
2010	New Group-wide approach to the management of environment, social and governance risk. First Australian corporation to offer super on unpaid maternity leave. Launch of Australia's first organisational mentoring program to build capacity in the social sector. First bank to trade in the New Zealand Emissions Trading Scheme. Lead partner with The Climate Institute's Climate Partners network. Included in the Carbon Disclosure Project's first Carbon Performance Leadership Index (and for the period 2010-2012). Joined the Australian Indigenous Minority Supplier Council (now Supply Nation).
2011	First Australian bank to offer accredited financial education to customers and the community through the Davidson Institute. Commenced a comprehensive Board-led review of Westpac's approach to sustainability. Hosted the first Social and Affordable Housing Forum.
2012	Joined the Banking Environment Initiative to identify new ways to stimulate the direction of capital towards sustainable, low carbon growth. Participated in an Australian first - the New South Wales Government social benefit bond which pays a return based on the achievement of agreed social outcomes.

For us this is just the beginning.
We welcome your thoughts on this issue

Email us at **corporateresponsibility@westpac.com.au**

For more information on our activities and
details of upcoming events see our
website **www.westpac.com.au/corporateresponsibility**