

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.

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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.) 

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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.