



Raising the Bar on our supply chain

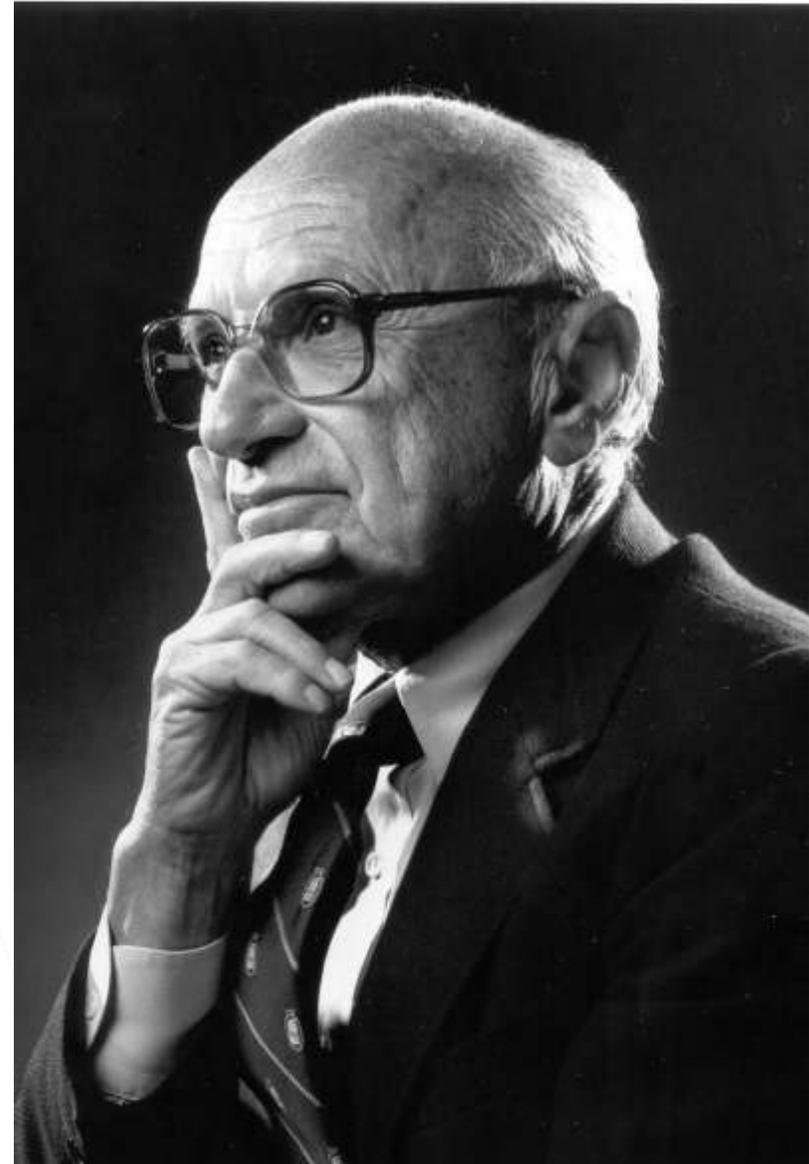
Westpac's Sustainable Supply Chain Management (SSCM) Code of Conduct

Andrew Buttsworth
Head of Sourcing and Offshoring

9th October 2008



- *“In fact..... they are preaching pure and unadulterated socialism”*



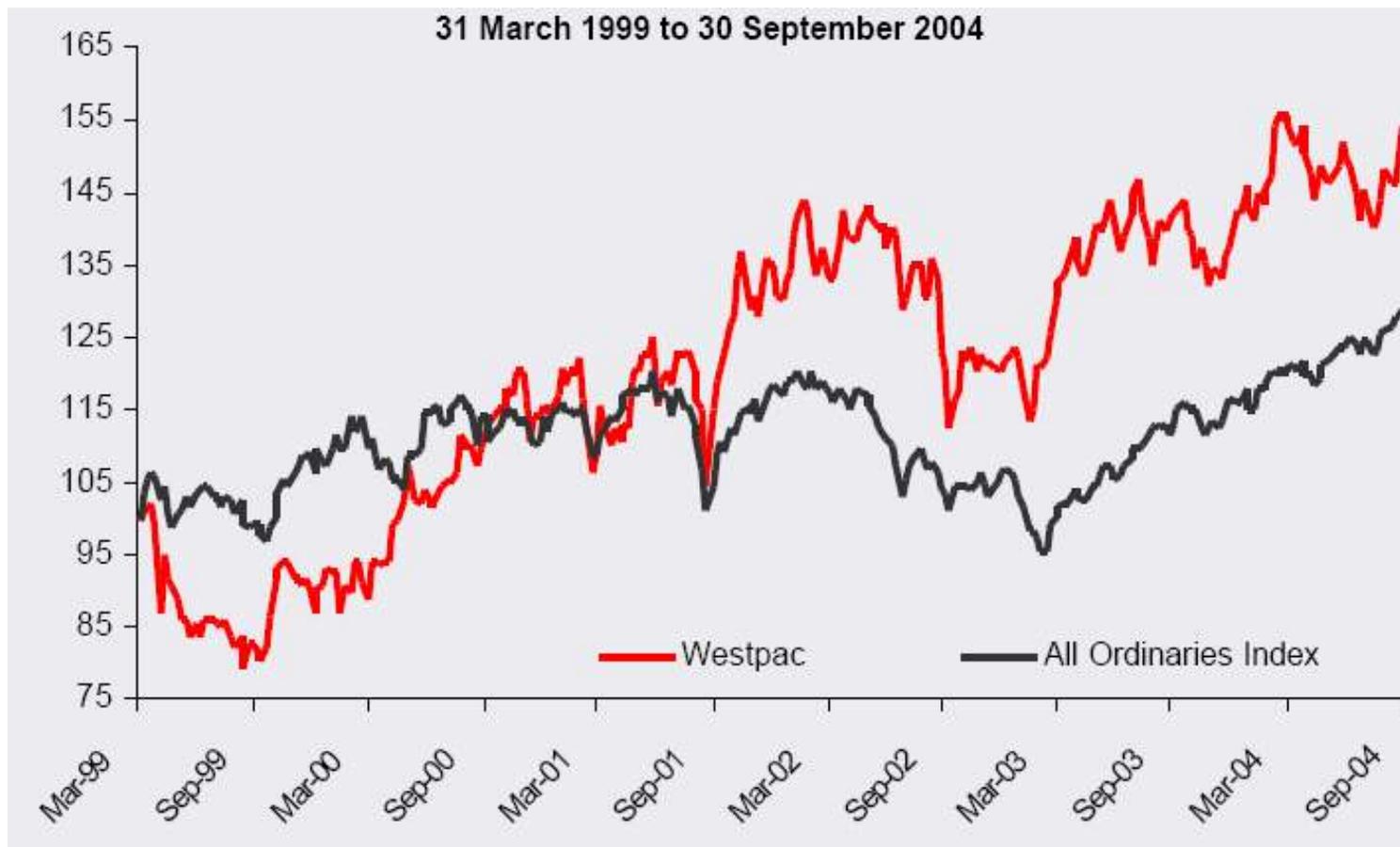
Milton Friedman, 1912-2006

Corporate responsibility and sustainability



It's about doing the right thing

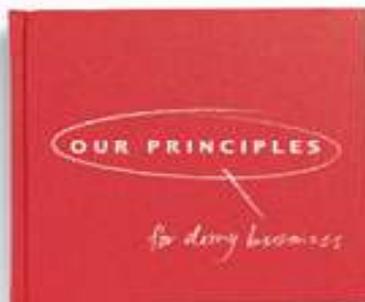
Creating shareholder value?



We believe...



“... the actions of our suppliers are increasingly important factors in our sustainability performance, and our suppliers should be viewed as partners in our sustainability journey.”



Your future is our future

Working with suppliers



- **Governance & ethics**
 - policies, product stewardship
 - risk management
 - public reporting
- **Labour standards**
 - anti-discrimination
 - labour practices
 - work/life balance
 - OH&S
- **Community involvement**
 - strategy, activities and impacts
- **Environment**
 - policies and performance
- **Market place management**
 - supply chain management
 - stakeholder engagement



SSCM Code of Conduct



Westpac favours suppliers who share our commitment to human rights and fair employment practices in accordance with existing international standards such as the UN Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the ILO Declaration on Fundamental Rights at Work, and the UN Convention on the Rights of the Child.

At a minimum:

1. The supplier must comply with all relevant local and national laws and regulations with regard to employment practices, benefits, health and safety and anti-discrimination.
2. The supplier must have written labour/workplace management policies and standards.
3. The supplier must strive to provide a workplace free of direct or indirect discrimination, harassment or bullying on the grounds of gender, age, race, nationality or ethnic origin, disability, family responsibilities or parental status, marital status, the occupation of spouse or partner, medical or irrelevant criminal record, political convictions, pregnancy or potential pregnancy, religious beliefs or activities, sexual preference or sexuality, industrial activity or union membership, physical appearance, social origin or carers responsibilities.
4. The supplier will not use child, forced or involuntary labour in any form.
5. The supplier must be committed to the provision of training and development for employees.
6. The supplier must provide fair pay and working conditions, including adequate rest periods and parental leave, and match prevailing working conditions.
7. The supplier will give consideration to the needs of, risks to and requests made by employees, as a stakeholder in the operation of the business.

Raising the bar for our supply chain



The Westpac Group has a long and proud history.

Established in 1817 Westpac is Australia's first and oldest bank, and its first and oldest company.

We take great care in selecting the companies who supply us with products and services and seek suppliers who share our commitment to best practices and continuous improvement in:

Ethical business practices

Management practices that respect the rights of all employees and the local community

Minimising our impact on the environment,

and

Providing a safe and healthy work place.

Westpac recognises that our suppliers are independent entities, however the business practices and actions of a supplier may impact on or reflect upon Westpac. In addition, better quality products and services are produced by suppliers with superior operating principles and practices.

For this reason we bind all our suppliers to the following social, ethical and environmental minimum standards of conduct set out overleaf, and encourage each supplier to adopt our preferred and favoured standards. We will actively engage our high spend and high risk suppliers and their supply chains in assessment and improvement processes towards this end.

The Sustainable Supply Chain Management (SSCM) Code of Conduct

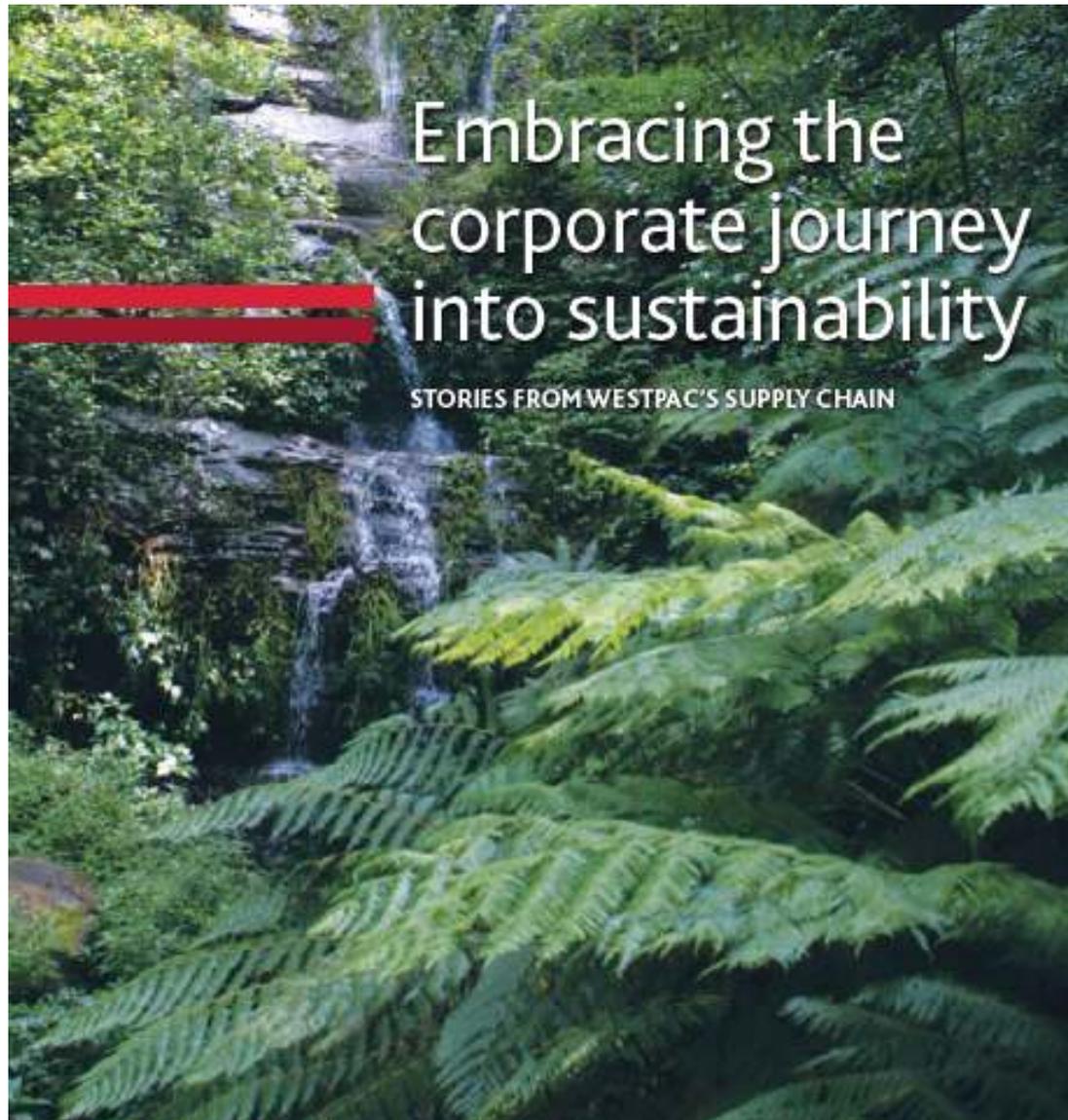
Your future is our future



- **Universal**
- **Measurable**
- **Unambiguous**
- **Transferable**



Case studies



Stories from our supply chain



Profitability and sustainability go together

CASE STUDY FIVE

HENRY DAVIS YORK

Commercial law firm Henry Davis York has a long and trusted relationship with Westpac Bank – dating all the way back to the 1890s, to the days when Westpac was the Bank of New South Wales. So when Westpac asked Henry Davis York to respond to its SSCM survey in 2005, Kelvin O'Connor, Chief Information Officer and Head of Corporate Social Responsibility, was not entirely sure how the process would impact on the firm.

After all, with a successful and sustained partnership between the two businesses, it wasn't obvious what would need to change. It was also difficult to see how some aspects of the detailed questionnaire – including subjects ranging from child labour to human rights to environmental management systems – applied to Henry Davis York's business.

As a private partnership, Henry Davis York had no public reporting requirements. As a professional services firm, Henry Davis York had a minimal impact on the environment – and in any case the firm was already undertaking a range of recycling initiatives.

Besides, the firm had a long tradition of pro-bono work and community initiatives and an outstanding track record as an employer. In 2007, Henry Davis York was ranked fourth out of 282 participating organisations at the 10th National WorkLife Balance Benchmarking Study, and it had regularly been cited as an Employer of Choice for Women.

"Being 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."

Kelvin O'Connor said: "We knew we had a strong track record, so in truth we entered the process without too many concerns. But that only lasted 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."

Henry Davis York realised that as a professional services firm practising from rented premises it would be easy for them to say that there is little they can do because they have a minimal effect on the environment. However, Henry Davis York decided not to take that approach and instead made a proactive attempt to improve in all areas of the Westpac SSCM process.

The first step was to closely engage with Westpac to understand the deeper intent behind the SSCM process and to define the sustainability obligations in terms that were relevant to Henry Davis York. "It became apparent that we were performing better than we realised – we simply hadn't articulated many existing initiatives that contributed to our sustainability. But there were clearly some issues that we could usefully address."

Henry Davis York quickly set about making changes. Having already won awards for its performance as an employer, the firm made its employment practices explicit and

transparent. It engaged with the lessor of its building to improve its environmental performance, jointly putting in place a range of initiatives, including development of an energy reduction program, supplementing this by purchasing 25% of tenant energy from renewable resources, installing water flow limiting devices on all plumbing and implementing better recycling practices.

Henry Davis York did not make any single big change – but rather accumulated numerous relatively small changes. But added together these had a significant impact: when the firm re-did the SSCM survey, it achieved a top quartile performance.

"More importantly we had gone from being passengers on the sustainability journey to active and engaged partners with Westpac," Kelvin said.

The change in view on the importance of sustainability motivated the company to push themselves beyond what was required of them and encouraged them to look for new ways of becoming more sustainable.

Now the sustainability relationship is entering a new phase. In early 2007 Westpac asked Henry Davis York to participate in a pilot program to validate the SSCM process. The firm was a little apprehensive about an external auditor poring over its documents and processes. But it need not have worried. The experience was overwhelmingly beneficial and reinforced existing practices.

"We've come away with great feedback, but also with valuable new ideas such as more frequent staff surveys, succession planning for the leadership of our pro-bono and community work and incorporating environmental awareness into our induction programs," Kelvin said.

In just two years, Henry Davis York has made a big transition. The view today is that sustainability is not rocket science, it's about a set of attitudes and processes.

"Most of all, it's about commitment. And with us it starts from the top down, with a clear involvement from our Managing Partner. Being 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," Kelvin said.

An unexpected outcome of the process is that working with Westpac on the common goal of sustainability has improved the relationship with Henry Davis York.

So what seemed at first like a minor distraction in a major relationship has in fact become an important aspect of the business.

"We see the clear business and social advantages of a systemic approach to corporate social responsibility. It has taken our longstanding partnership with Westpac to a new level of trust and transparency – and we know this will help us market ourselves to other clients who share the same values. It also helps us in the very competitive market for the best new employees. For us profitability and sustainability are parts of the one story," Kelvin said. ■



Kelvin O'Connor – Chief Information Officer and Head of Corporate Social Responsibility for Henry Davis York

Your future is our future