

## Independent Assurance Statement

### The Westpac Group Annual Review 2009

To The Westpac Group’s stakeholders,

Banarra Sustainability Assurance and Advice (Banarra) was commissioned by The Westpac Group (the Group) to assure its Annual Review 2009 (the Report) against the AA1000 Assurance Standard (AA1000AS) 2008. Banarra was also commissioned to validate the Report against the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. This is Banarra’s eighth reporting year with the Group, so we have built on our previous understanding of the organisation and its progress.

#### **Assurance scope**

The assurance scope was a type 2 engagement under AA1000AS (2008). A moderate level of assurance was provided. The scope included:

- Assessing the nature and extent to which the Group adheres to AA1000APS (2008) principles of Inclusivity, Materiality and Responsiveness and how it communicates this adherence in the Report; and
- Verification of the performance information in the table below:

Customer Information	Product Information	Environmental Information	Employee, Community & Supply-chain Information
Accounts receiving pension or welfare payments data	Environmental and social policies (GRI FS1)	Energy consumption data (excluding NZ) (GRI EN3 & EN4)	Employee engagement scores
Affordability data - Average fees paid as a % of pension	Environmental and social risk procedures (GRI FS2)	Greenhouse gas emissions data (excluding NZ) (GRI EN16)	Employee turnover (GRI LA2)
Assist data	Equator Principles data	Paper data (excluding NZ)	Our Tomorrow data
Complaints data	Financial literacy initiatives (GRI FS16)	Water data (excluding NZ) (GRI EN8)	Operational change notice periods (GRI LA5)
Credit overcommitment data (overdue accounts)	Financial products & services policies (GRI FS15)	Waste data (excluding NZ) (GRI EN22)	Processes for improving employee competency (GRI FS4)
Net Promoter Score data for Westpac Pacific	Processes for monitoring client compliance (GRI FS3)	Risks & opportunities due to climate change (GRI EC2)	Workforce data (GRI LA1)
Financial education data	Interactions with clients on env & soc risk and opportunities (GRI FS5)	Initiatives and reductions in energy consumption (GRI EN5 & EN7)	Community contributions data (GRI EC1)
Ombudsmen data	Products designed to deliver a social or environmental benefit (GRI FS7 & FS8)	E-statements data	Sustainable supply chain data
<p>1. The performance information was verified using the criteria in the GRI G3 Financial Sector Supplement and, for performance information not included in this guidance, the Group’s own indicator calculation methodology. In addition, the NGRS Technical Guidelines 2008 were also used as criteria for verification of greenhouse gas emissions and Equator Principle 10 used as criteria for Equator Principles data.</p> <p>2. The scope includes FY09 data for Westpac Australia, New Zealand (NZ), Pacific and UK, St.George, BankSA and Hastings unless otherwise stated. Westpac New Zealand environmental data was excluded from scope as it was verified by Deloitte as part of CEMARS certification.</p>			

## ***Banarra Assurance Methodology***

Within the above scope, our methodology included:

- Interviews with: a) six of the Executive Committee and Board, including Peter Wilson, Chair of the Board Sustainability Committee, concerning sustainability performance and governance; and b) 72 of the Group employees at corporate and divisional levels concerning sustainability performance, strategy, policies for material issues, implementation of responses and performance data verification.
- Review of sustainability policies, strategies, Board Sustainability Committee Minutes as well as sustainability management systems and documentation.
- Checks of the methodology, completeness and accuracy of all quantitative performance information and the processes for capturing, aggregating and reporting this data, through interviews and document review, comparison with the assurance criteria, re-calculation and cross-checks with corroborative evidence, including sample testing of source data.
- Checks of the methodology, completeness and accuracy of all qualitative performance information, through interviews, document and systems review.
- Visits to the Group's and St.George's headquarters in Sydney CBD, NSW. No other site visits were undertaken.
- An independent check of the Group's material issues, including analysis of peer reports, media articles on the Group in FY09, the Group's own documentation and engagement records and issues identified from Banarra's interviews.
- A review of the Report to check consistency with the GRI application level requirements of A+ and that it is consistent with the nature and extent of the Group's adherence to the AA1000 AccountAbility Principles.

## ***Findings and Recommendations***

We believe the Group has appropriately communicated the nature and extent of its adherence to the AA1000APS (2008) principles in the Report. Findings and recommendations on the nature and extent of the Group's adherence to the principles are provided below.

### ***Inclusivity - has the Group a stakeholder engagement and participation process?***

The Group has made a commitment to engage with customers and employees in its *Our Principles* statement. Whilst a commitment to engage with other key stakeholder groups is not included in *Our Principles*, Banarra did identify strong support for stakeholder engagement within the Executive team and other employees interviewed.

The Group has developed engagement processes with each of its identified key stakeholder groups. This was generally found to be comprehensive across all divisions and at the branch level. However, improvements could be made in formalising community engagement mechanisms in St.George Bank and also in Pacific Banking.

Stakeholder participation in the sustainability decision-making of an organisation is a new element of the AA1000 (2008) standard. Banarra identified some examples of stakeholder participation in the Group. However, the Group's stakeholder engagement processes have been developed over time for a range of purposes and we did not identify a comprehensive approach to stakeholder participation across the organisation. It is recommended that the Group undertake a whole-of-business review to assess whether existing processes meet stakeholder needs and whether stakeholder views are captured and utilised to enable appropriate stakeholder participation in sustainability decision-making.

***Materiality – has the Group identified its most important sustainability issues?***

We were pleased that the Group has developed a formal materiality process to identify its most important sustainability issues in the reporting year. All material issues identified for FY09 are included in the Report. In addition, Banarra’s independent materiality review did not identify any further material issues or issues of high stakeholder interest for inclusion in the Report.

Banarra identified the following areas for improvement:

- The materiality process lacks formal prioritisation criteria. It is recommended that these are developed to ensure consistency and transparency of process.
- Westpac New Zealand has an informal materiality process to identify the issues it responds to in its sustainability strategy. This should be formalised to ensure consistency and transparency of process.
- Whilst participating in the Group materiality process, St.George Bank and Pacific Banking have not identified the sustainability issues most important to their divisions nor developed their own sustainability strategies. It is considered likely that both these divisions may either have unique material issues or differing prioritisation of material issues to the remainder of the Group. As such it is recommended that St.George and Pacific Banking identify divisional level material issues and respond to these accordingly.

***Responsiveness – has the Group responded to these issues?***

The Group has three processes for developing responses to material issues; the Sustainability Strategy, the Sustainability Council and commitments made in annual sustainability reporting. Once responses have been determined, responsibility for their implementation is assigned to appropriate business units. In addition, material issues that require high level consideration are discussed and agreed at the Board Sustainability Committee.

The Group has developed responses to all of its material issues, however, reporting on these issues could be improved. Several material issues were not comprehensively discussed in the Report including the impacts of the St.George Bank merger, processes and systems, risk management and talent retention. We also believe the Group could report more context to better explain the relevance of all its material issues and provide a more balanced discussion on material issue performance.

We identified a number of errors in the reporting of the outcomes of the Group’s Equator Principles assessments, all of which were corrected in the final Report. In addition, we found Westpac’s record keeping of this process could be expanded to provide a more transparent audit trail of the reasons for its decision-making in Equator Principles assessments. We are pleased that Westpac has committed to reviewing its approach to public reporting on the Equator Principles in FY10 and recommend that this includes a review of record keeping and governance approach in this area.

The Group has made good progress through development of short and medium term targets for the majority of its material issues. Nevertheless, there are some material issues that the Group has not publicly reported targets for; including fees and interest rates, risk management and talent retention. We believe that the Group should publicly report targets for all material issues to provide stakeholders with a mechanism to track and hold the Group accountable for its performance.

***Performance Information Verification***

Based on our methodology, we conclude there is no evidence that the performance data listed in the scope, with the exception of Westpac Pacific’s environment, employee numbers and community contributions data, is not correct in all material aspects and is not a fair representation of the Group’s performance in these area in FY09.

We could not come to an opinion as to the accuracy of Pacific Banking’s greenhouse gas, energy or paper data due to an incomplete evidence trail for these data-sets. We were unable to verify the

Pacific Banking employee numbers due to the data not being available in the assurance timeframes. In addition, we were unable to verify the Pacific Banking community contribution data due to the data not being substantiated by the evidence provided. We recommend that Pacific Banking's data systems and controls for these indicators are reviewed and improved.

Banarra has two findings and recommendations to improve the data management and reporting process. These findings are not considered material relative to the Group's performance:

- The Group's data collection processes for fleet, paper and its Assist program could be more rigorous and it is recommended that improvements are made to record management, contractor data management and internal data checking.
- The Group's performance indicators for sustainable supply chain management were developed during the early stages of the program's implementation. Now the program has matured, we recommend the Group review the indicators to determine whether they meet both stakeholders' and the Group's needs.

### ***Global Reporting Initiative***

We concur with the Group's own assessment that they have achieved GRI application level A+.

We are pleased that the Group has expanded on its GRI disclosures in the reporting year and has also committed to reviewing the areas where there are still gaps. Of note, there are several gaps in the Group's reporting against several of the newly finalised financial services sector specific GRI indicators. Whilst the Group have provided explanations for these gaps that satisfy GRI reporting requirements, these indicators are material to the Group's overall sustainability performance. We recommend the Group prioritises review of its management approach and reporting on these indicators to ensure coverage across all relevant business units, products and services.

### ***Responsibilities & Independence***

The Group was responsible for preparation of the Report, stakeholder identification and engagement as well as material issue identification and response. Banarra's responsibility was to provide an independent assurance opinion of the Report using AA1000AS. This opinion is provided to the Group Management and any reliance third parties may place on this statement is entirely at their own risk. Banarra has provided the Group a management report containing more details on the findings and recommendations in this statement.

Banarra was paid by the Group to conduct this assignment. In addition, Banarra was paid by the Group to complete the Group's Sustainable Supply Chain Program validation audits during the reporting year. Other than these payments, the assurance team declares itself independent in relation to the Group and its stakeholders. There is a detailed statement on our independence, impartiality and competencies at [www.banarra.com](http://www.banarra.com).



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