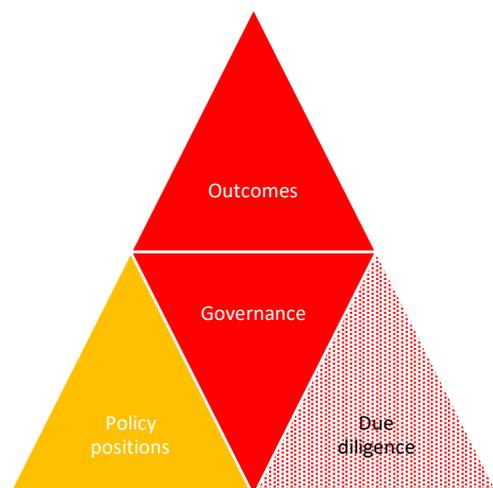


WESTPAC GROUP YEAR 1 REPORT FINANCIAL SERVICES HUMAN RIGHTS BENCHMARK

Company Name	WESTPAC GROUP LIMITED
Industry	Big 4 bank
FY end	30 September 2019
Revenue FY19	\$20.649 bn
Employees	33,288
Retail divisions	Consumer, parts of Westpac NZ, Group Businesses (residual Advice operations)
CLIS divisions	Business, Westpac Institutional Bank, Westpac NZ
Law reform contributions	3, 6, 12, 13, 14, 15, 18
Overall level of disclosure	Extensive disclosure

Our overall rating of Westpac's human rights performance for each domain is set out below



RETAIL: RED

Westpac makes explicit statements in recognition of and commitment to respecting and protecting human rights. Its Human Rights Position Statement and 2020 Action Plan make it clear that Westpac understands what is required for human rights due diligence. Yet its operationalisation of this statement via its governance frameworks around retail customers lacks a holistic focus across our six human rights categories.

In terms of policy positions, we found a mix of detailed positions (notably around privacy and credit reporting) but less detailed or non-public positions on some other human rights issues (such as economic security or right to remedy via its complaints process). We found little evidence of a feasible human rights due diligence process for any of our human rights categories. We note APRA's self-assessment of Westpac's governance, culture and risk, as well as its June 2020 statement on the root causes of the AUSTRAC breaches (which also include activities in the commercial lending, investment and services domain below). We also note the recently released report as part of its enforceable undertaking with APRA. While noting the improvements, these reports do not convey an appreciation of how the issues identified also impact Westpac's approach to human rights risk management.

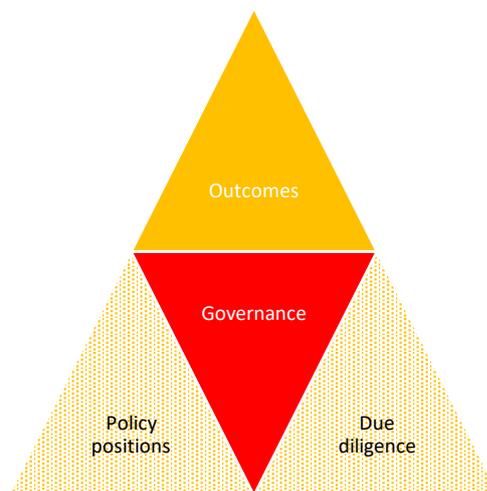
Outcomes were mixed. We firstly note that several of Westpac's banking products received 5-star ratings from Canstar in 2019. We note the levels of complaints via both Westpac's internal dispute resolution process and APRA. In particular we note the pattern of complaint issues (process and procedures for banking, product, commercial and business decisions for wealth management and insurance). We also note the 529 customers (out of 14.2 million) provided with natural disaster relief packages, together with the 52,095 financial assistance packages for customers experiencing financial hardship. We note that Westpac has closed the LitePay service used by the 12 customers identified in the AUSTRAC complaint as having a pattern of transactions consistent with child sexual exploitation. We further note that Westpac has ceased selling credit card insurance products. We note the retail customer class actions commenced in 2019. We finally note the February 2021 decision of the High Court of Australia in relation to the provision of financial advice to customers around superannuation rollovers.

COMMERCIAL LENDING INVESTMENT AND SERVICES (CLIS): AMBER

Westpac's activities in this domain are twofold: banking and financial services for its commercial customers (ranging from SMEs up to large corporations), and its investment activities via BT. Our coding reflects the combined assessment of these areas.

In terms of banking and financial services for commercial customers, we found little evidence of an effective system of governance for human rights risks across our six human rights categories. While we found evidence of policy positions around privacy, credit reporting, AML/CTF and Sanctions Policy, as well as position statements on Defence Sector financing and Agribusiness, there was less visibility around aspects of anti-discrimination, economic security, health and safety. From our reading of several documents, it appears that the Sustainability Risk Management Framework is important in this area of Westpac's activities, yet it was difficult to understand exactly what that framework was and how it linked with processes to manage Westpac's interactions with these clients. There was little evidence of a feasible human rights due diligence policy, although we note statements to the effect that a due diligence process existed for some of the abovementioned policies.

We note several outcomes for this aspect of Westpac's CLIS activities including its financing of renewables for electricity generation (while continuing funding of gas, black and brown coal). We also note its financing for climate change solutions, albeit the small number of project finance projects falling within the scope of the Equator Principles (\$424m). We also note funding for micro-enterprises but it is unclear how many of the 372 enterprises are funded by way of a loan (core business as a bank), as opposed to those supported by an enterprise grant (philanthropy). We similarly found several gaps in information about Westpac's governance of human rights risk in its investment activities. We found responsible investment position statements which listed ESG factors considered, but little in the way of specifics about how human rights due diligence was applied. In terms of outcomes we found it difficult to find information on the portfolio holdings for FY19.



This report is presented for the purpose of disseminating information and research findings for the benefit of the public. It has been prepared on the basis of evaluation of human rights performance based on publicly available material for the 22 ASX listed entities included in the sample.

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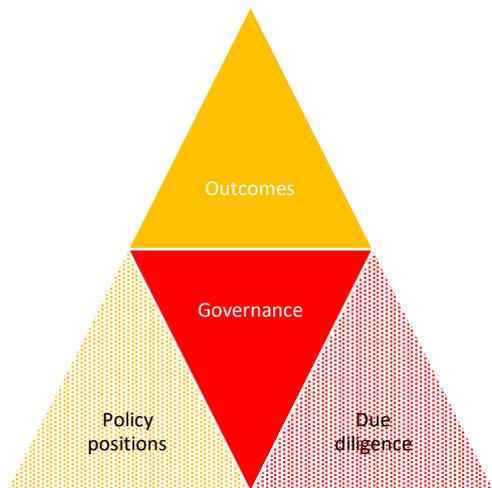
EMPLOYEES: AMBER

As one of the largest employers in our FSE sample, Westpac provides detailed disclosures of only some of its relevant policies and detailed disclosure of some key outcomes, notably around diversity, gender pay gap and safety.

We found evidence of a wide range of policy positions, although some of these appear to be more aspirational statements (at least in their public format as one-page declarations). Our coding reflects the lack of full policies or more complete summaries of those policies.

We found little evidence of any feasible human rights due diligence processes applied to employees.

Westpac provides detailed information on its employee diversity, code of conduct breaches and consequences, as well as on the nature of issues identified via its whistleblowing procedures. This approach could be used to disclosure summary statistics on employee grievances. It would assist stakeholders to understand the issues that are not able to be raised via whistleblowing but can be raised under the internal grievance processes. It also discloses a pay ratio between the highest paid employee and the median salary of the lowest paid (75:1 for Australia) and details of the pay gaps that exist via position levels.



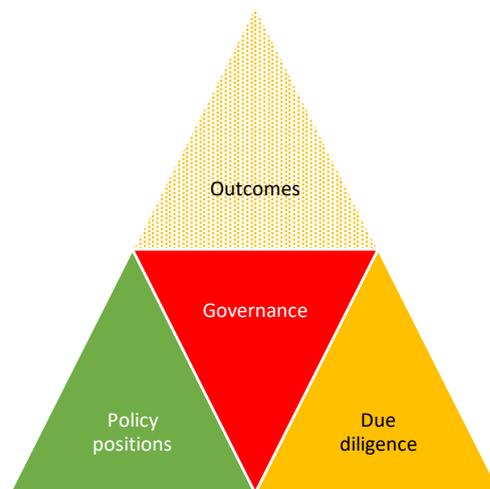
We finally note evidence of wage theft, announced in 2020 but relating to prior periods, arising from calculations of long service leave entitlements. In light of the years of service that an employee has to give to Westpac to be eligible to receive such payments, it is an unsatisfactory situation, notwithstanding that the total amount of underpayment is not at the levels observed in some other FSEs in our sample.

SUPPLY: AMBER

Westpac has been reporting under the UK Modern Slavery Regime although we note its FY20 Modern Slavery Statement under the Australian regime is far more informative of Westpac’s approach to its supply chain. The FY20 statement also indicates further developments in this area of Westpac’s operations.

Westpac’s supply spend in FY19 of \$6.5bn with around 30,000 suppliers. It identifies its major areas of spending as IT and telecommunications, enterprise services (a wide range of services including banking services, security, recruitment, contingent workforce services and professional services) and customer engagement.

While Westpac does not appear to have a holistic approach to governance of the human rights risks arising from its relationships with suppliers along its supply chain, it has a comprehensive suite of policy positions. We note its Supplier Inclusion and Diversity Policy as well as policies around supplier payment to SMEs within the Australian Supplier Code of Conduct. We also note its Responsible Sourcing Code of Conduct and the role of the Supplier Advocate. While a due diligence process is described, it is not entirely clear how feasible it is given the breadth of Westpac’s supply chain and supplier relationships.



Our coding for outcomes is common for all of our FSE sample. That said, we note 98 of Westpac’s top 100 suppliers were assessed against its Responsible Sourcing Code of Conduct. We also note the spend with indigenous-led suppliers (\$4.2 million) and diverse suppliers (\$19.8 million).

SOCIETY: RED

There is no recognition at Board level of public policy advocacy as a source of human rights risk. It was unsurprising, therefore, not to find either relevant policy positions or any human rights due diligence process to manage this risk. We note the exercise undertaken by Westpac in 2019 in relation to its policy position on environmental issues and those of its industry associations. We did not find an equivalent for its human rights positions.

Westpac was a very frequent contributor to the sample law reforms we examined. It has a mixed record of adopting positions that are also supportive of human rights notably of its customers around privacy (in its submissions relating to the consumer data right and also responsible lending conduct, compared with the use of customer information for marketing purposes) and information (such as the Design and Distribution Obligations).

Yet Westpac’s approach to public policy advocacy on human rights is also a missed opportunity. This is especially notable regarding indigenous rights given Westpac’s Reconciliation Action Plan and also its strong aspirations for improving the lives and wellbeing of indigenous Australians, as expressed in its Human Rights position statement.

