

Dear Stephen –

The sustainable supply chain management (SSCM) process is set out in detail on Westpac's website under the 'Westpac Info' tab, then 'Corporate Responsibility' from the left hand menu, then 'Supply Chain' from the Corporate Responsibility home page.

<http://www.westpac.com.au/internet/publish.nsf/Content/WICR+Supply+chain>

I highlight below the material which will be of interest to the Committee. Of course I am also happy to print this material and send it to you for distribution to the Committee.

As a general principle, we aim to be fully transparent on this SSCM process, and as discussed at the public hearing, the intent is that the process improves the mutual sustainability performance of Westpac and the supplier - and is essentially developmental for the supplier.

The key content here is a detailed Policy and accompanying Guidance Note under 'Our Policy;' and then all the content and links under 'Assessing our Suppliers' and then 'Sustainable Supply Chain Management Questionnaire' - which sets out the assessment process itself.

In particular a good deal of detail is set out in the 'Frequently Asked Questions' document.

Some key points for the Committee from this material:

Sustainability performance accounts for up to 10% of the variables taken into account in the selection of new suppliers. The other, non-SSCM variables will include price, quality, delivery, and value-add, alongside potential variables which are specific to the procurement decision.

All suppliers assessed (typically Westpac's revolving top 100 suppliers by spend, and also suppliers in high risk procurement categories) are assessed on the same multiple sustainability criteria. However scores are then weighted on a sector basis, according to the potential risk or impact. For example, environmental issues management will more strongly influence a supplier's overall score for manufacturing or transport suppliers, compared with legal firms.

The sustainability criteria against which suppliers are assessed is set out in the SSCM policy and then in detail in the 'Self Help Tool' which includes the rationale for each question and what is expected and also sources of information which are then detailed in the accompanying 'References' document. The criteria were drawn from well established sustainability assessments; primarily the Dow Jones Sustainability Index and the Business in the Community Corporate Responsibility Index.

To go to the heart of Senator Wong's question, all suppliers are asked to report their performance on these same criteria. Thereafter, any requested performance improvements are negotiated between Westpac and the supplier, and in the context of each supplier's circumstances. Where necessary suppliers are requested to commit to

specific improvements via a 'Remedial Action Plan.' Again this is set out in the 'Frequently Asked Questions' document.

Regards
Tim