



Westpac 2013 annual review and sustainability report - Integrated banking

Despite structural flaws, Westpac has an example of successful example of integrated reporting

This is Australian bank Westpac's first report following the publication of a sustainability strategy in early 2013, which identified three focus areas. First, embrace social change (through workforce diversity, wellbeing and financial inclusion). Second, develop environmental solutions (through new environmental financial products, investing in clean tech and reducing the bank's environmental footprint). And third, aim for better financial futures (through educating and supporting customers in preparing for retirement, advancing access to affordable housing and increasing access to finance in the Pacific islands).

Westpac addresses these strategy elements in a blended, integrated reporting approach that highlights the "shared value" opportunities that will define the bank's social contribution and business growth in coming years.

Each strategic sustainability element is supported by a set of quantified short term (2014) and medium term (2017) targets, and reporting of performance to date in 2013. This is most definitely a best practice example of coherent sustainability strategy and demonstrates commitment and applied long-term thinking about the role of Westpac in society, beyond the immediate impacts of the services it provides.

Westpac is a banking group with six distinct financial brands. The annual report provides an overview of the group but the detail is to be found in the six sections representing individual brands. While this enables each part of the group to have its own voice, the voices are somewhat repetitive with recurring themes of building the brand, supporting customers and investing in the community.

For sustainability reporting, emerging best practice (especially with the new GRI G4 guidelines) is to place the impacts (or material issues) at the centre of the reporting story. This would suggest a more materiality-focused structure for future Westpac reporting, facilitating an appreciation of the impact of the group and not only the individual parts.

Nonetheless, the brand-based narrative offers a view of the different opportunities faced by the individual banking divisions. The Westpac Pacific section, for example, refers to a region in which the "unbanked" - those without access to banking facilities - are estimated at more than 90% of the population.

Here, the theme of "increasing access to financial services throughout the region using accessible, low-cost services, including in-store banking and mobile technology" shows an opportunity to link customers in remote and rural communities to financial services that will benefit both them and Westpac Pacific. The success measure is expressed in terms of the number of new customers with bank accounts, with Westpac targeting to double the current level by 2017.

Not only is Westpac's sustainability story a little fragmented, but the report is also a little disjointed as a piece of communication. The variety of ways in which information is presented across different documents and formats makes it difficult to connect all the dots. Materiality? Go online. GRI content index? Separate download. Sustainability performance? Annual review. Detailed performance? Download fact packs. The online report is reasonably user-friendly, but without a sitemap and a search function, and with long, scroll-down web pages, it's hard to find what you are looking for efficiently.

Great workplace

Westpac's reporting on the workplace is high level, focusing on strategic priorities - great place to work, diversity and inclusion. While it may have been interesting to hear more detail about what makes Westpac a great place to work, and why employee engagement rose to its highest ever level of 87%, Westpac reports selectively, discussing in more detail, for example, its strategy to support employees who have caring responsibilities through flexible working.

A Westpac employee survey showed that almost 50% employees have caring responsibilities, with 15% caring for an elderly or disabled relative. Adaptation of the workplace to acknowledge this specific employee need and embrace it as part of their working life is a brilliant move on the part of Westpac. Westpac writes: "Valuing the work of unpaid carers requires social, business and economic recognition of their importance and the assistance they provide." For those who want more workforce data, the employee fact pack contains Westpac's workforce profile and performance details.

Westpac's 12 most material issues are rather hidden in the online report. They take some time to locate and are stuck at the end of a long scroll-down webpage and omitted from the printed report versions. Listed material issues link online to commentaries and case studies which provide context and perspectives but not always examples of practice and strategic outcomes.

Westpac uses its sustainability strategy, which was developed using these material issues to frame the report narrative, and this causes a bit of a disconnect between materiality and strategy. For example, a key material issue is "the rise of Asia", notably India, China, Honk Kong and Singapore. Westpac is expanding its presence and capabilities in these areas, but the bank's sustainability strategy doesn't appear to specifically address sustainability risks and opportunities that the rise of Asia presents.

Overall, however, Westpac's integrated strategic approach and exceptional transparency probably make this banking group a reporting leader, and this report is worth considering as an early-stage role-model for integrated reporting.

Snapshot:

Follows GRI? GRI G3 A+

Assured? Yes

Materiality analysis? Yes

Goals? Yes

Targets? Yes

Stakeholder input? No

Seeks feedback? Yes

Key strengths? High transparency and focused data.

Chief weakness? Fragmentation of reporting.

Pleasant surprise? Measurable quantifiable targets supporting sustainability strategy.

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