



To: Carolyn McCann, General Manager, Corporate Affairs and Sustainability
Westpac Group
275 Kent Street
Sydney, NSW 2000
AUSTRALIA
Via Email: cmccann@westpac.com.au

Monday 30 June 2014

Dear Carolyn,

We write to you to provide a formal response to your letter sent 17 April 2014, regarding Oxfam's investigation into allegations of improper acquisitions of land in emerging market economies.

Firstly, we wish to thank you for the frequent and generous engagement with yourself and other staff at Westpac on this issue. We acknowledge that in the period between your letter of 17 April 2014 and this communication we have had a number of productive discussions on this issue.

Secondly, we note that since receiving your letter, Oxfam has published its Report *Banking on Shaky Ground*, which outlined the evidence we had earlier provided to Westpac of involvement by Westpac and the ANZ, Commonwealth Bank and National Australia Bank with clients accused of improper acquisitions of land and resulting human rights abuses. This Report incorporated all details requested by Westpac for inclusion in the Report. As a result of this Report, to date, 1,225 Westpac customers have written to their bank requesting that Westpac adopt Oxfam's recommended 'Zero Tolerance for Land Grabs' approach. We note that Westpac has responded to these customers. A further 12,922 people have signed a petition calling on all four of Australia's major banks to address this issue, underlining the strong response of the Australian public to our Report and the evidence contained therein. You can find all details of these actions here: <https://www.oxfam.org.au/act/take-action/>

Finally, we wish to provide in this letter a formal outline of Oxfam's view in relation to Westpac's progression on this issue to date. We applaud some of the steps Westpac has taken, particularly its leadership in committing to the Soft Commodities Compact, an initiative we publicly welcomed in the Report. Despite this admirable step forward, our evidence indicates a significant policy and practice gap does still exist on the particular issue of land acquisitions, which leaves the Westpac Group vulnerable to further exposure to improper acquisitions of land by its soft commodities clients. In our assessment, this indicates Westpac would greatly benefit if it were to lead Australia's banking sector and implement the Zero Tolerance for Land Grabs approach suggested by Oxfam to comprehensively address the risks posed by improper land acquisitions in the soft commodities sector in emerging economies.

The Problem for Westpac – Exposure to Risk and the need for a Comprehensive Response

Oxfam's *Banking on Shaky Ground* Report detailed evidence of immediate exposure by Westpac to more than one soft commodities client accused of improper land acquisitions in emerging economies. This approach had progressed from the discussions Oxfam and Westpac engaged in during 2012 and early 2013 relating to the *plausible risk* of exposure given Westpac's involvement with the sector at great risk of improper land acquisitions – the soft commodities sector in emerging economies. In the face of the real case evidence presented in our Report, it is reasonable for Oxfam and other Westpac stakeholders to query the seeming breakdown in Environmental, Social and Corporate Governance (ESG) policy and practice which has allowed these numerous allegations of exposure to surface. Whilst significant steps have been taken by Westpac, clearly a gap remains. Oxfam has focused on the reality of this gap and put forward a pathway for Westpac to address the situation in line with current international guidelines on the issue, as well as the ESG

HEAD OFFICE

132 Leicester Street, Carlton
Victoria 3053, Australia

Tel +61 3 9289 9444 Fax +61 3 9347 1983

www.oxfam.org.au

leadership charted by agribusiness giants such as Coca-Cola, PepsiCo and Wilmar. Hence, our focus on the adoption of Zero Tolerance for Land Grabs.

Westpac's clear leadership in Sustainability

As we stated in our Report, it is clearly apparent that Westpac has thought deeply about its responsibilities as a bank, and committed to many of the available human rights and responsibilities principles and processes. Our report also assessed Westpac in comparison to its competitor Australian banks and concluded that Westpac led in both setting out its approach in a 2011 document entitled, "Our Principles for Doing Business", as well as clearly stating that the bank must respect basic human rights in everything it does. We also applauded Westpac's overarching ESG Risk Management Framework which articulates the bank's approach to managing ESG risks in all aspects of its operations, including lending and investment.

Addressing the particular risk of exposure to improper land acquisitions in the soft commodities sector

In our Report Oxfam did note that Westpac does already take a 'sensitive sector' approach to identify particular sectors of risk, stating in its "Approach to Sustainable Finance" that its ESG Risk Management Framework specifies environmentally and socially sensitive sectors. This appears an acknowledgement of the necessity, when faced with certain sector-endemic risks, to provide authoritative internal guidance of the bank's approach to a particular sector, in addition to existing applicable external commitments (such as the Global Compact). It is this very approach Oxfam is urging Westpac take by adopting an internal Zero Tolerance for Land Grabs approach, whilst also having committed to the external Soft Commodities Compact.

Westpac has not disclosed to Oxfam any Westpac sensitive sector policy in relation to the soft commodities sector - the sector Oxfam has identified as the 'sensitive' sector for improper land acquisitions outlined in the Report. Neither has Westpac specifically addressed the risk of improper land acquisitions across any other sector. Our Report acknowledged that Westpac is a founding signatory to the Banking Environment Initiative's Soft Commodities Compact to address issues in the soft commodities sector. We also applauded that as a part of this Compact, Westpac has announced a commitment to achieve zero net deforestation by 2020. However, laudable and necessary as these banking sector-wide commitments are as a first-step towards best practice, standing alone they do not provide the clear institutional guidance that a sensitive sector policy does. It is also important to note that a commitment to zero deforestation does not address the fundamental social risks relating to improper land acquisitions as outlined in Oxfam's Report.

The need for leadership in taking a specific approach to addressing improper land acquisitions

Westpac has established a solid foundation for action to address the risk of exposure to improper land acquisitions. It has a clear human rights commitment, and an overarching ESG framework within which to take action. Westpac has also made clear progression in acknowledging the soft commodities sector as holding particular risks, and its commitment to the Soft Commodities Compact has set the scene for the bank to take decisive internal action to particularise and address the exposure the bank has in this sector. Oxfam's Report made apparent that even on the small amount of information Oxfam could gather, Westpac clearly had gaps and client relationships that exposed the bank to ESG risks *not picked up by existing policies and practices*.

The major case study relating to Westpac client WTK demonstrates that Westpac has had a 19 year relationship with a client (WTK), and in an sector — forestry in PNG — that should have triggered an ESG Risk Management Framework assessment years ago. While Westpac may argue that it exempts certain

clients or categories of relationships (such as transactional relationships or asset management) from its ESG framework or human rights obligations, this is not the language it uses in its public policies which refer to “managing ESG risks in all aspects of our operations,” and its belief in respecting basic human rights in everything it does. Furthermore, it doesn’t appear that Westpac takes such a piecemeal approach in practicality — we note that Westpac took the unusual step of shutting down mere transactional accounts of logging clients in the Solomon Islands following concerns regarding the sustainability of logging operations. In short, according to Westpac’s own statements, it is of no consequence whether the relationship between Westpac and the entities involved is one of ‘lending’ or not – the ESG Risk Management Framework, along with Westpac’s obligations to respect human rights – will apply.

Given the gravity of the detailed allegations Oxfam has brought forward in our Report relating to Westpac and WTK, as well as the further two cases covered in summary, Westpac needs to urgently progress this issue further and adopt Zero Tolerance for Land Grabs. A failure to do so is a particularly glaring absence for Westpac given that its 2013–2017 Sustainability Strategy which places at its centre a focus on “anticipating and shaping the most pressing emerging societal issues.” – of which improper land acquisitions is clearly one.

Practicalities of implementing Zero Tolerance for Land Grabs

As we have repeated in our discussions with you and your team, Oxfam is sympathetic to the often practical hurdles that can arise in adopting and implementing ESG approaches for a major corporation. In all our engagement with corporations on this issue, we have therefore summarised the proliferation of international standards and approaches towards the risk of improper land acquisitions into a clear, short and adoptable set of guidelines ‘Zero Tolerance for Land Grabs’ that both mirrors best practice, and allows for practical instruction for large corporations. As noted previously, both Coca-Cola and PepsiCo have adopted Oxfam’s Zero Tolerance for Land Grabs approach, and it is consistent with the ESG policies implemented by other agribusiness giants such as Wilmar.

Even despite the adoption of this approach by others, Oxfam is entirely willing to discuss the practicalities of particularising the Zero Tolerance for Land Grabs pathway to the specific operations of the Westpac Group, and talk through staged implementation of the approach especially where related to newer areas such as disclosure. However, we cannot accept that there is no need for Westpac to take this pathway. For the reasons we have outlined above, the notion that Westpac’s existing policies and practices address this issue sufficiently is not borne out by the evidence Oxfam has put forward in our Report.

Moving forward

As has been communicated, Oxfam’s research into cases of improper land acquisitions is continuing, and we are working together with media organisations, which see this issue as being of public interest. We are also engaging with the financial sector more broadly, including institutional and other investors on this issue, and have had a very positive response to date. As we have noted in discussions, Oxfam has been approached by some Westpac shareholders who wish to raise the issues outlined in Oxfam’s report at your 2014 AGM should this issue remain unaddressed. Discussions are progressing with each of the other three major Australian banks, with some clear progress starting to take shape, and greater acknowledgement of the welfare and rights of the communities affected by clients’ actions. We have also seen significant movement in emerging economies – particularly relevant to Westpac you may have been notified that PNG’s cabinet was reported last week as having cancelled all of the Special Agricultural Business Leases found by the Commission of Inquiry to have been obtained improperly. This is obviously a significant development and will have serious financial consequences for those clients of Westpac exposed to these leases, including WTK.

In this context we sincerely hope that Westpac will commit to working with Oxfam to adopt a Zero Tolerance approach for Land Grabs. As we have already provided significant documentation on this Approach, we won't do so with this letter, but please to let us know if you need further clarification on any of its particulars.

We look forward to hearing your response, and hope this letter has been useful in formally setting out our views,

Yours sincerely,

Kelly Dent
Economic Justice Policy and Advocacy Lead
Oxfam Australia
kellyd@oxfam.org.au

CC: Siobhan Toohill, Head of Sustainability and Community

Via Email: stoohill@westpac.com.au

Joanne Richmond, Head of Sustainability

Via Email: jrichmond@westpac.com.au

Samantha Brown, Head of Community Engagement, Corporate Affairs and Sustainability

Via Email: samanthabrown@westpac.com.au