

19 December 2008

Bella Pardoe
Finsec
PO Box 27 355
WELLINGTON

Dear Bella

RE: Submission on Targets

We write in response to Finsec's submission on Targets, as presented at the last Union Council meeting in November.

Westpac rewards a number of tasks through sales points incentives including assessing a customer's banking needs and ensuring the right products are provided for the right circumstances. We have a committed and engaged workforce and in no way would accept your view that the people that work at Westpac would be unethical in their lending practices. We are confident that our Management and employees are diligent and responsible when providing a product or service to our customers.

It is normal business practice for organisations to have targets and incentive schemes for employees who achieve goals aligned with the organisation's strategy and goals. We have recently considered employees' views that they wish to more directly influence the targets in place and therefore have made some changes to kpi's for this financial year in order to deliver this.

We have been clear and consistent through the joint Finsec-Westpac Competency Pay working party meetings that targets would continue to form a part of our high performance and growth agenda. Whilst we agreed with Finsec that such targets would not impact on an employee's base pay, we were clear that we reserve the right to still have targets in place.

We have taken a close look at the current sales targets set for the 08-09 financial year and make the following observations for each role as outlined below.

Tellers:

Your submission states: "targets for Tellers have increased from 5 to 10".

We are assuming you are referring to 'Referrals' and it is important to note that this was not a k.p.i last financial year and was only introduced as a k.p.i for this current financial year. The target for 'Referrals' is set at 9 for this financial year (based on a 45 week year). This is a requirement of less than 2 per day.

Although this new target has been introduced for Tellers, there are a number that have been removed. These include merging the error kpi with the toc error kpi; removing the role accreditation kpi, removing branch customer net growth and removing branch active internet usage.

The reason for these changes to the Tellers target kpi's is due to feedback from employees that they wanted kpi's they could directly influence, so there has been a reduction in team or branch based targets and a focus on individual targets.

Tellers see the most customers on a daily basis so it is appropriate that they have targets that reflect their ability to influence those customers directly.

Customer Support

Your submission states: "members in this role said the 50% increase in targets is unachievable..."

There has been an increase in sales points for this group. However, although there has been an increase in points required to reach target, individual tasks and products now attract more points than they did previously, therefore enabling an employee to reach target more readily.

The reason for the increase in target levels is that we have acknowledged that this particular role has more opportunity to interact with our customers than they were previously attributed with and therefore this has now been reflected in their targets. As with Tellers, the feedback from this group was that they wanted targets they could more directly influence as individuals, and therefore some of the Branch targets such as Branch customer net growth and customer internet usage have been deleted. The weighting for NPS has also been decreased from 20% to 15%. A new kpi of Branch PPC has been added for this financial year.

Customer Consultants and HLS

As your submission states, there has been no change to sales points totals for this group.

The weighting for Customer Care Calls has decreased from 25% to 15%. Area NPS has also had its weighting decreased from 20% to 15%.

As with Customer Support roles, a new k.p.i of Branch PPC has been added.

Finsec's Recommendations

Westpac is committed to a growth agenda for the bank in New Zealand, including shareholders, customers and our community. We do not believe it is appropriate to leave targets unchanged from year to year in a dynamic economic environment.

We do not agree with your view of the negative impact of new targets on customers and employees and our current NPS score is a reflection of high customer advocacy (satisfaction). To clarify, the NPS score is taken from E and F graded branches through NZ, and other branches are given NPS scores by their 'Area' result, as opposed to 'Region'. In the last 12 months, the NPS score has risen from -28 to -5 points, which is an improvement of 23 points in just one year.

We do not believe the current kpi's are subjective as are all based on actual numbers achieved. As stated above, many of the changes to targets have been made as a result of feedback from employees stating they wished to more directly influence the kpi's for their role.

Westpac is of the view that there is no need for a wider consultation process as we have the appropriate people within the organisation involved in setting and reviewing targets, and these important issues are widely discussed with line managers, Area Managers, and Regional Managers on a regular basis. Going forward, we will endeavour to keep Finsec informed of any review or changes to targets being undertaken by the business.

In conclusion, Westpac is constantly monitoring and reviewing our customer's needs, products and services on offer, and our sales targets. We have already made some amendments to targets since they were first published at the beginning of this financial year. Overall, we are of the view that the kpi's in place are fair and appropriate and will continue to review these where required.

Yours sincerely



Paul Louis
Head of ER, Performance & Reward
People
Westpac