



WILL FIX, SIMPLIFY and PERFORM PROGRAM Work for WESTPAC?

Company Name/ASX code	Westpac Banking Corporation/WBC
AGM date	Wednesday 15 December 2021
Time and location	10am by Virtual videoconference facility with Teleconference also available
Registry	Link Market Services
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Carol Limmer and Michael Jackson
Pre - AGM Meeting?	Yes, with Board Chair, John McFarlane, and Head of Investor Relations, Andrew Bowden

The individual(s) (or their associates) involved in the preparation of these voting intentions have a shareholding in this company.

Summary of issues for meeting

The Annual Report is very comprehensive and well worth a read.

It has been a rather tough few years for WBC and their stakeholders and unfortunately there are still significant issues on their plate which WBC acknowledges. With all their transformation programs, as they turn over stones, more issues reveal themselves. WBC faced many issues, particularly those which were risk related and WBC realises that they continue to detract from their reputation and performance while, of course, taking up much management time and remediation cost. WBC has put significant resources into managing risk going forward, including changing the culture of the organisation and acknowledging that the change must start at the top.

On 30 November ASIC made it public that they are launching multiple actions against WBC with six civil proceedings against WBC in the Federal Court – such a number of ASIC allegations at the one time is unprecedented. ASIC has said that each of the actions taken alleges widespread compliance failures across multiple WBC businesses including everyday banking, financial advice, superannuation and wealth management brands as well as WBC’s former general insurance business. The alleged conduct occurred over many years (some dated back to 2001) and affected many thousands of consumers. A common aspect across these matters has been poor systems, processes and governance, which is suggestive of an overall poor compliance culture within WBC at the relevant time. As ASIC says, customers are entitled to have trust and confidence in WBC being able to deliver what it promises without suffering financial harm. WBC has admitted the allegations and is remediating approximately \$80m to customers. ASIC and WBC will submit to the Court that combined penalties of \$113m are appropriate. Whilst this is a source of much dissatisfaction once the details are determined by the Court closure on many issues will progress.

Of course, it is not only a money matter but also very much a reputational one.

It is very concerning what customers have suffered but it is also extremely disappointing for its many shareholders. Both stakeholder groups have a right to be angry.

WBC will be likely reforming itself until 2024 or later. They have a program to improve culture, governance and accountability. No doubt with the current ASIC proceedings acceleration will be necessary.

WBC recently presented an online presentation which updated its environmental, social and governance (ESG) programs – their ESG issues range from human rights to the path to net zero emissions.

WBC, along with other Banks, is suffering margin attrition. WBC is testing the market's faith in its multi-year turnaround story with investors dumping their stock after poor margin performance.

Will it achieve its \$8bn cost base in 2024?

WBC is currently incurring temporary costs with their core program of **FIX**, **SIMPLIFY** and **PERFORM** priorities. This core program aims to create a simpler, stronger Bank. **FIX** includes stronger risk culture, rebuilding management of financial crime risk, putting things right for customers and resolving customer pain points. **SIMPLIFY** includes creating a simpler Bank, embedding their new operating model, harnessing digital and having fewer, simpler products. **PERFORM** includes being committed to helping, having a better experience for customers, restoring growth in core businesses, achieving a strong balance sheet and improved capital efficiency, cost resetting and elevating Climate Change action. All in all, a lot being done but obviously plenty still to go.

One priority is the divestment of some businesses ie 4 to date and 3 more by end of December 2022. They have closed their Mumbai and Jakarta offices and expect to close 3 more international offices by December 2022. Will WBC take on new lines of business, like CBA with crypto and NAB with Citi? Probably not in the short term as it focusses on its core transformation program.

For the AGM, there are proposed re-elections of two Directors (Nerida Caesar and Margie Seale), election of two new Directors (Dr Nora Scheinkestel and Audette Exel) with these elections/re-elections bringing the female percentage on the Board to 40%. There are resolutions in relation to the 2021 Remuneration Report and proposed LTI grant to MD & CEO, Peter King.

Also, there is a resolution proposing changes to their Constitution which are essentially updates to reflect regulatory and market practice developments since the Constitution was last amended in 2012.

Aside from these resolutions there are two resolutions being proposed by a group of shareholders (Market Forces) relating to WBC's reporting on climate change. The first of these is seeking to amend WBC's Constitution to allow Advisory resolutions and the second (which relies on the first resolution being passed) seeks to have WBC demonstrate how the company is managing its fossil fuel exposures to reach net zero by 2050.

There is coverage of significant WBC developments on Pages 74 to 80 of Annual Report. In relation to the Australian business including Covid 19 impacts, off-market buy-back, exit of specialist businesses, risk management, financial crime, life insurance premium review, APRA's announcements affecting capital, their proposed revisions to subsidiary capital investment treatment as well as their action against WBC, general regulatory changes affecting the business, proceedings with ASIC (see earlier comments), WBC's proceedings against Forum Finance Pty Ltd

(which has been subject to a lot of media coverage), actual and potential class actions. There are also details of some proceedings in NZ detailed.

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Governance and culture

WBC has a comprehensive Corporate Governance Statement and Sustainability Report with both accessible on its website (<https://www.westpac.com.au>). They have made significant commitments in climate related areas (see pages 28 & 29 of Annual Report for summary) as well as on matters such as people diversity.

WBC participates in a number of voluntary initiatives including the DOW Jones Sustainability Index.

Four of their NEDS are female and three of their twelve senior executives are female. During the year WBC's Board Nominations & Governance Committee approved an objective to have a gender mix of 40:40:20 ie 40% women, 40% men and 20% any gender. In addition, WBC joined the investor-led '40:40 vision' initiative with a target of at least 40% women on the Executive team by 2030.

WBC has a broad range of skills on their Board. The skills, experience and attributes are detailed on Page 35 of the Annual Report.

There is a minimum shareholding policy in place for NEDs as well as for CEO/MD and his direct reports.

Risk and risk management are well covered in the Annual Report (from Page 115 onward) with the major categories being Strategic Risk, Risk Culture, Operational Risk, Conduct and Compliance, Financial Crime, Cyber Risk, Reputational and Sustainability Risk, Capital Adequacy, Funding and Liquidity, Credit Risk and Market Risk.

Indications from the Board Chair are that much attention is being directed towards a change of culture to one where there is clear accountability established with individuals.

WBC makes no cash donations to political parties. In NZ political engagement expenditure was NZD 10,321 and for Australia it was AUD 137,151. The purposes of political engagement expenditure are set out on Page 48 of Annual Report.

WBC has said that they will keep under notice the option of holding future AGMs on a hybrid basis ie both live and online.

Financial performance

Divestment of businesses is progressing.

A \$3.5bn Share Buy-Back has been announced which will see a 4.2% reduction of shares on issue and support Return on Equity and Dividends per Share.

The share price at year end was \$26 but has dropped since then (\$20.62 as at 1 December, 2021). Further comment on share price is that it has dropped from \$31.92 in 2017. Shareholders would be very disappointed in WBC's share price, particularly when compared to other major Banks.

NPAT of \$5.458m, Cash Earnings of \$5.352m and Dividends are up 138%, 105% and 102% respectively when compared to previous year. Net Interest Margin (NIM) is down 4 bps, ROE of 7.6% is up 372 bps, CET 1 Capital Ratio of 12.32% is up 119bps. Fully franked Final Dividend is 60c per share.

The above figures include Notable Items (provisions and costs related to AUSTRAC proceedings, provisions for estimated customer refunds and repayments, associated costs and litigation, write-down of assets, and the impact of asset sales and revaluations).

Expenses rose by 22 %.

WBC expects expenses to lower as they simplify the business and work towards their \$8bn cost target by 2024. Can this be achieved?

WBC took a \$1.3bn profit hit on write -downs. This is mainly due to shrinking the Institutional business and takes additional provisions for potential legal action and customer remediation after the Banking Royal Commission.

Pages 44 and 45 has relatively concise operating and financial review covering principal activities, operations and financial performance, dividends, significant changes in state of affairs and events during and since the end of the 2021 financial year, business strategies, development and expected results and risks to their financial performance, position and operations.

See also Table below.

Summary

(As at FYE)	2021	2020	2019	2018	2017
NPAT (\$m)	5,458	2,290	6,784	8,095	7,990
Cash Earnings(\$m)	5,352	2,608	6,849	8,065	8,062
Share price (\$)	26.00	16.84	29.64	27.93	31.92
Dividend (cents)	188	31	174	188	188
Simple TSR (%)	10.7	(40.5)	12.4	(6.6)	14.5
EPS (cents)	146	64	196	237	238
CEO actual rem(\$m)	3.41	2.41	4.02	4.95	5.46

Notes:

For 2021, the CEO's total actual remuneration was 36.5 times the Australian Annualised Full time Adult Average Weekly Total Earnings (based on May 2021 data from the Australian Bureau of Statistics). For May 2021, the Full-time adult average weekly total earnings (annualised) was \$93,444

(<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, 'Full-time adult average weekly total earnings').

Key Board and Senior Management Changes

Over the past couple of years there have been quite a number of Board and Executive departures.

Alison Deanes departed from the Board at the 2020 AGM and Craig Dunn is stepping down from his Board Director role at the forthcoming AGM. Two new Directors, viz Dr Nora Scheinkestel and Ms Audette Excel, are being proposed for election at the AGM.

In 2020 Peter King (CEO), Scott Collary (COO), Rebecca Lim (Group General Counsel & Enterprise Exec), Anthony Miller (Chief Exec, Institutional Bank), Michael Rowland (CFO), Les Vance (GE, Financial Crime, Compliance & Conduct) and Jason Yetton (Chief Exec, Specialist Businesses & Group Strategy) stepped into their roles. In 2021 Chris de Bruin (Chief Exec, Consumer & Business Banking) and Simon Power (Acting Chief Exec, Westpac NZ Ltd) took on new roles.

Item 2	Adoption of Remuneration Report
ASA Vote	Against

Summary of ASA Position

ASA voted against the Remuneration Report in 2019 – this was at the time of the much publicised AUTRAC issues. Despite the disappointing results in FY 20 ASA supported the Remuneration Report as it was considered at the time that WBC should be supported in the actions it had already taken with its significant transformation efforts and noting the Board Chair's expressed determination to continue to move quickly to address their many outstanding issues. Whilst WBC is still working to improve its position, overall FY 2021 has left many shareholders far from impressed.

Mr Craig Dunn, the Chair of the Remuneration Committee, has included a letter in the Annual Report which summarises Group performance and strategic priorities. There are comments around some good progress on implementing strategic priorities but it also mentions issues which have emerged eg regulatory actions, investigations, weaknesses in calculation of liquidity ratios and further remediation provisions all of which have been disappointing to WBC and, of course, to shareholders. In short, it is acknowledged that they clearly have more to do.

Mr Dunn states that their remuneration framework will continue to play a key role in supporting the strategic priorities and driving performance and outcomes for all stakeholders.

He goes on to say that with FY21's remuneration decisions the Board has sought to reflect and balance performance, risk and shareholder outcomes and that they measure and reward the progress made with transformation and addressing past issues. The key remuneration outcomes for the year include; CEO's short term reward at 47% of maximum opportunity; average for Group Execs was 48% with outcomes ranging from 0% to 70%; the 2018 long term reward lapsed in full (for 6th consecutive year); reduction in short term reward to two former Group Execs; range of remuneration and other consequences applied to other current and former employees in relation to potential fraud by Forum Finance; two Group Execs received total target remuneration increases reflecting increased scope and accountability in expanded roles; and total realised remuneration by CEO and Group Execs was higher year on year given cancellation of 2020 short

term variable reward to demonstrate collective accountability for the outcomes that led to the AUSTRAC proceedings.

For the future, WBC is continuing to review its executive remuneration structure. The minimum shareholding requirement will be updated and in the interim any shares that may be delivered to CEO and Group Execs through 2022 onwards can only be sold to meet tax obligations until minimum holding requirement is met. ESG measures will be included in Group short term scorecard which are aligned to ESG related priorities integrated in their strategy and for 2022 the modifier will include an explicit component for climate related priorities.

The Long Term Variable Reward (LTVR) has a 4 year performance period, face value calculation methodology is used and performance hurdle is based on relative TSR against eight Australian financial services companies. Vesting of 50% of Rights occurs when 50th percentile is met – this could be more rigorous. There is no re-testing. Selling of shares vested is subject to meeting minimum shareholding requirements. (Further details are on Page 61 of Annual Report).

50% of Short Term Variable Reward (STVR) is awarded in cash and the other 50% in equity which vests half in one year and half deferred for two years. The STVR scorecard is split into three sections viz values and behaviour assessment, focus areas (with balance of financial and non-financial measures) and a Board/Remuneration Committee modifier, (Further details are provided on Page 60 of Annual Report).

The potential maximum STVR is 40% of Total remuneration as against 30% for LTVR. ASA favours higher percentage being focussed on long term performance.

A summary of remuneration appointment and exit arrangements is detailed in Annual Report (Page 52).

Many aspects of WBC's remuneration arrangements are satisfactory and in the normal course a positive vote could be considered. However, the share price performance over five years indicates that there is non-alignment between Executive remuneration and shareholder returns.

All things considered, it is very difficult to vote FOR the Remuneration Report given it is one clear way for shareholders to express their continued dissatisfaction with WBC's performance, including poor share price performance. Their remuneration framework should support/facilitate positive behaviour and culture and WBC seems to have significant issues even though they are working towards resolving them. It is considered that the problems have not been fixed fast enough.

As WBC has not met shareholders' expectations ASA representatives will not be supporting the Remuneration Report.

Item 3	Grant of Equity to Managing Director and Chief Executive Officer
ASA Vote	For

Summary of ASA Position

It is proposed to grant Mr Peter King 127,401 Performance Share Rights under the Long Term Variable Reward (LTVR) Plan. These Rights have a Face Value of \$3.25m They are subject to testing of relative TSR performance against a group of Australian financial institutions. Further details on LTVR are set out in Item 2 as well as being explained in the Notice of Meeting. Forfeiture and

clawback provisions apply. Mr King's Fixed Remuneration is \$2.4m and he has a Target Short Term Variable Reward (STVR) of \$2.4m and potential maximum STVR of \$3.6m.

Mr King currently has 131,886 shares and 460,631 Performance Share Rights in WBC.

See also comments on Item 2 above.

It is considered that the LTI hurdles and quantum are appropriate, the proposal is setting up for future years and long terms incentives have not vested for some years which is as we would expect.

Most of the current allegations involved with ASIC court proceedings etc pre-date Mr King's CEO role.

The ASA considers that the proposed LTVR award to the CEO is reasonable and will be voting FOR this resolution.

Item 4A	Re-election of Nerida Caesar as a Director
ASA Vote	For

Summary of ASA Position

Ms Caesar's background is well covered in the Notice of Meeting.

She has been a Non-Executive Director (NED) of WBC since September 2017 and is a member of the Legal, Regulatory & Compliance and Technology Committees.

Ms Caesar has over 34 years of broad ranging commercial and business management experience, with particular depth in technology led businesses.

She currently chairs Workplace Giving Australia Ltd, Director of CreditWatch and Spark Investment Holdco Pty Ltd and an Advisor to start-ups in the technology sector.

She holds 15,009 WBC shares.

ASA supports this Resolution.

Item 4B	Re-election of Margaret Seale as a Director
ASA Vote	For

Summary of ASA Position

Ms Seale has been a NED at WBC since March 2019. She chairs the Legal, Regulatory & Compliance Committee and is a member of the Risk, Remuneration and Board Nominations & Governance Committees.

She worked in senior executive roles in Australia and overseas, across a number of sectors including in sales and marketing roles and the successful transition of traditional business models to digital environments. Ms Seale is also an experienced NED and has served across a range of industries.

She is currently a NED of Scentre Group Ltd.

She holds 10,438 shares.

ASA supports this Resolution.

Item 4C	Election of Dr Nora Scheinkestel as a Director
ASA Vote	For

Summary of ASA Position

Dr Scheinkestel was appointed to WBC Board in March 2021. She is a very experienced director who has served as non-executive chair of companies in a wide range of industry sectors, including public, private and government boards. She has worked in highly regulated sectors eg infrastructure and financial services and some facing significant disruption from technology and market changes.

Dr Scheinkestel was a senior banking executive. She is currently a NED of Telstra, Brambles and Ausnet Services Ltd.

She has also worked as an Associate Professor in Melbourne Business School at Melbourne University and was previously a member of the government's Takeovers Panel.

Dr Scheinkestel is well qualified to serve as a NED at WBC.

She currently holds 5,172 WBC shares.

ASA supports this Resolution.

Item 4D	Election of Audette Exel as a Director
ASA Vote	For

Summary of ASA Position

Ms Exel was appointed to WBC Board in September 2021. She has more than 35 years' experience in global financial markets as a senior executive, a NED and a social entrepreneur.

She was formerly the MD of BSX - listed Bermuda Commercial Bank, Chair of Bermuda Stock Exchange and Chair of Investment Committee of the Bermuda Monetary Authority. She was a Director and Chair of Investment Committee of Steamship Mutual and has served as a NED at Suncorp.

Ms Exel is the Founder and Chair of the Adara Group, a pioneering social enterprise which supports people living in extreme poverty.

She began her career as a lawyer specialising in international finance.

Her background and experience qualifies her well to serve as a NED at WBC.

She holds 4,000 WBC shares.

ASA supports this Resolution.

Item 5	To approve and adopt amendments to the Westpac Constitution
ASA Vote	For

Summary of ASA Position

At least 75% of votes cast by shareholders in favour is required for this resolution to pass.

Their Constitution was last amended at 2012 AGM. WBC has undertaken a review of the Constitution and the Board is recommending approval of a number of targeted amendments to accommodate regulatory developments and changes to market practice since 2012 as well as to more closely align the Constitution to the ASX Listing Rules. Further details are set out in the Notice of Meeting.

As these amendments are essentially an updating of the Constitution ASA supports the resolution

Item 6A	Requisitioned resolution to amend Westpac's Constitution
ASA Vote	Against

Summary of ASA Position

A group of shareholders (Market Forces) has proposed two resolutions under Section 249P of the Corporations Act that the statements set out in Appendix 1 to the Notice of Meeting be provided to shareholders.

Rather than summarise their comments it is suggested that interested shareholders read the full details of the proposals in the Appendix.

WBC has also put in comprehensive responses to both proposed resolutions in the Notice of Meeting and the advice is to read this fully as well. WBC recommends voting against item 6(a) and 6(b) and briefly does state in relation to Resolution 6 (a) that 'the Board supports the rights of shareholders to serve notices under the Corporations Act and is also attentive and responsive to feedback from shareholders. However, the Board does not believe that the proposed resolution, Item 6(a) is in the best interests of shareholders.

ASA representatives intend to vote against the Resolution.

Item 6B	Requisitioned resolution on transition planning disclosure
ASA Vote	Against

Summary of ASA Position

As suggested under 6(a), interested shareholders should read the full content in the Appendix.

Similarly to 6(a), in relation to 6(b) 'The Board acknowledges the objectives of this resolution and supports strong action by companies on climate'. However, for the reasons set out under the previous Resolution, the Board recommends that shareholders vote against it.

ASA representatives intend to vote against the Resolution.

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Appendix 1
Remuneration framework detail

CEO rem. Framework for FY2021	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	2.4	30	2.4	30
STI - Cash	1.2	15	1.8	20
STI - Equity	1.2	15	1.8	20
LTI	3.2	40	3.2	30
Total	8.0	100.0	9.2	100