



## Moving forward on FIX, SIMPLIFY and PERFORM

<b>Company/ASX Code</b>	Westpac Banking Corporation/WBC
<b>AGM date</b>	Wednesday 14 December 2022
<b>Time and location</b>	10am, Melbourne Room, Melbourne Convention & Exhibition Centre, South Wharf, Melbourne Vic
<b>Registry</b>	Link Market Services
<b>Type of meeting</b>	Hybrid – Physical, online and webcast
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Carol Limmer, Michael Jackson and Mike Robey
<b>Pre-AGM Meeting</b>	Yes, with Chair, John McFarlane and General Manager, Investor Relations, Andrew Bowden

Monitor Shareholding: The individual(s) (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

### Summary of issues for meeting

Similarly, to CBA, this year's meeting for WBC will be in Melbourne with opportunity for shareholders in other areas to also attend and ask questions on an online basis.

Their Annual Report is very comprehensive and detail in the Notice of Meeting is also helpful. In July there was a 'live' Market Update with time for attendees to raise questions. The recent Annual Results presentation was another opportunity for interaction with stakeholders.

Over recent years, WBC has struggled somewhat following very significant issues a few years ago. It is a long journey for the company and WBC acknowledges that situation. However, they are making steady progress and have returned to a reasonably solid position.

WBC comprises 6 major segments ie Consumer, Business, Institutional, NZ, Group Businesses and Specialist Businesses.

Some of the 2022 highlights are-

Shareholders – returned \$7.8bn to shareholders via dividends and \$3.5bn share buy-back, full year dividend of 125c is 6% higher this year, common equity tier 1 capital ratio is 11.3% (comfortably above regulatory min), total shareholder return is down 16% from overall market declines and share price weakness following FY 21 result, cash earnings return on equity 7.5%, cash earnings per ordinary share 148c – up 1%.

Customers – lending up \$30bn, deposits up \$33bn, 94% of complaints on average, resolved at 1<sup>st</sup> point of contact, there have been digital enhancements and increased security to help protect customers, supported 1600 customers through floods, provided over \$66m of Covid-19 relief packages since 2020.

Employees – Organisation Health Index 75 (up one point over the year), 50% women in leadership, \$5.9bn paid to WBC people. Two thirds of employees who voted in 2023 Aust. Enterprise Agreement voted Yes.

Community- \$3.1bn Income Tax expense, including the bank levy, launched 5<sup>th</sup> Climate Change Position Statement and Action Plan, joined Net-Zero Banking Alliance and set 2030 targets for 5 emissions intensive sectors in their lending portfolio, largest bank lender to greenfield renewable projects in Australia over past 5 years, \$4.6m in scholarships to 100 holders under WBC Scholars Trust and \$136m in community investment.

Have divested 9 of 11 specialist businesses with 2 more to go in coming months.

### Proposed Voting Summary

No.	Resolution description	
1a 1b	Resolutions Requisitioned by Shareholders	Against
2	Financial Reports	No vote required
3	Re-election of Peter Nash as a Director	For
4	Grant of Equity to Managing Director & CEO	For
5	Remuneration Report	For
6	Conditional spill of board if there is a remuneration strike	Against

### Summary of ASA Position

#### Items 1 (a) and 1(b)

Two resolutions are being proposed by a group of shareholders (Market Forces and Australian Ethical Investments Ltd) relating to WBC’s reporting on climate change. The first resolution is seeking to amend the Constitution to allow advisory resolutions and the second one (which is reliant on the first resolution being passed) is seeking to have WBC disclose, in their future reporting, how their financing will not be utilised for new or expanded fossil fuel project. Market Forces put forward proposals last year which received significant negative voting. Appendix 1 in the Notice of Meeting has supporting statements provided by Market Forces and Australian Ethical Investments Ltd pursuant to section 249P of the Corporations Act. WBC includes comprehensive reporting on ESG matters in their Annual Report and the Explanatory Notes within Notice of Meeting. Indeed, their approach is better than many companies. The Board Chair has had a recent pre- AGM meeting with this group of shareholders. The Board is recommending that shareholders vote against these resolutions and has made comprehensive responses. The Board does not believe that the proposals are in the best interests of shareholders.

ESG measures are included in Group short term scorecard which are aligned to ESG related priorities integrated in their strategy and for 2022 included an explicit component for climate related priorities.

ASA representative intends to vote open proxies against these resolutions.

## **Item 2 Financial Reports – no vote required**

This item relates to WBC's Financial Report, Director's Report and Auditor's Report (the Reports). These Reports are in WBC's Annual Report and can be accessed on their website at [Westpac.com.au/investor centre](https://www.westpac.com.au/investor-centre).

### **Governance and culture**

Included in the Annual Report are comprehensive statements on Sustainability, Climate Change, Natural Capital Environment, Human Rights, Risk Management and Corporate Governance. In the Report Westpac also discusses value for Shareholders, Customers, Employees and Community.

### **Key Board or senior management changes**

Peter Marriot will retire from the Board at the conclusion of the AGM. WBC is continuing to consider new Board appointments to further strengthen the existing skills, experience and diversity of the Board. With the Board there is a question about relevance of disclosing age. This question also applies to Senior Executive team.

Following Mr Marriot's departure, 4 of the 8 Non Executive Directors (NEDs) will be female.

There is a Board Skills Matrix in the Annual Report.

With Board performance evaluation, each Director assesses performance in relation to Board and Committees on which they serve and their own performance. The Board Chair discusses outcomes with each Director and the most senior Director has discussion with Board Chair in relation to his results.

The number of Board Committees has been rationalised and the Board Directors have all taken a reduction in pay as well as reduced fees for Board and Committee Chair roles.

All NEDs are subject to policy on minimum shareholdings. In 2022 the Board Chair's required holding has been increased to align with the Board Chair rather than 'normal' NED pay.

5 members of the 13 Senior Executive team are female.

9 of the 12 Senior Executive Team have been recruited to WBC since 2020 and only 1 has been in current role longer than that.

Ryan Zanin was recruited to the Chief Risk Officer role in 2022 with his responsibilities being across credit risk, operational risk, financial crime, compliance and conduct. He has over 30 years' experience in financial services, specialising in risk management. He was previously at Fannie Mae overseeing that company's governance and strategy for global risk management. Prior to Fannie Mae he held senior roles at GE Capital, Wells Fargo & Company and Deutsche Bank. Mr Zanin is a Chartered Financial Analyst and a Fellow of the Institute of Canadian Bankers.

## Financial Performance

### Summary

(As at FYE)	2022	2021	2020	2019	2018
NPAT (\$m)	5.694	5,458	2,290	6,784	8,095
UPAT (\$m)	5,276	5,352	2,608	6,849	8,065
Share price (\$)	20.64	26.00	16.84	29.64	27.93
Dividend (cents)	125	118	31	174	188
Simple TSR (%)	0.8	10.7	(40.5)	12.4	(6.6)
EPS (cents)	148	146	64	196	237
CEO total remuneration, actual (\$m)	3.9	3.41	2.41	4.02	4.95

The Annual Report, Annual Results Presentation and July Market Update all provide well set out details on financial performance.

### Item 3

#### Re-election of Mr Peter Nash

Mr Nash's background is well covered in the Notice of Meeting.

He has been a NED at WBC since March 2018 and chairs the Board Audit Committee as well as being a member of the Board Risk and Board Nominations & Governance Committees.

He is on 3 listed company Boards and 2 Not for Profit Organisations. He is the Board Chair of 1 of the listed companies (ie Johns Lyng Group) but that is a relatively small organisation.

Mr Nash holds 15,260 shares in WBC.

He will address the AGM in relation to his suitability for re-election.

Mr Nash is considered well credentialled for a NED role at WBC and the ASA representative will vote open proxies in favour of his re-election.

### Item 4

#### Grant of equity to Managing Director and Chief Executive Officer

It is proposed that Mr Peter King be granted Performance Rights with a Face Value of \$3,250,000, subject to the performance hurdle outcomes after 4 years. His Fixed Remuneration is \$2,522,727 and Maximum Short Term Incentive is \$3,750,000 (Target is \$2,522,727). Further details are provided in Item 5 as well as being well covered in the Notice of Meeting and Annual Report.

ASA representative intends to vote open proxies for this resolution.

### Item 5

#### Remuneration Report

The Annual Report includes an introductory letter from the Chair of the Remuneration, People & Social Responsibility Committee with information on remuneration policies and various recent

remuneration outcomes along with further comprehensive details following on from that letter within the Annual Report. The Notice of Meeting also has coverage of remuneration policies.

The FY 2021 Remuneration Report received a first strike and was a serious message for the Board from shareholders. The Chair of the Remuneration, People & Social Responsibility Committee spoke to many shareholders and their advisers to understand their concerns and where WBC could do better. Essentially, those that voted against (incl. ASA) could not reconcile the performance results with remuneration outcomes and felt that remuneration did not align to their experience as shareholders. As a result of that WBC has said that WBC has enhanced their disclosures, expanded commentary and improved their transparency. It is said that they have worked hard to deliver on the objectives of their remuneration strategy of aligning executive and shareholder experience whilst also providing the motivation that variable reward is designed to deliver and to honour contractual obligations to their people.

ASA acknowledged last year when casting votes against WBC's remuneration report that in normal circumstances the vote could well have been positive. However, the remuneration outcomes did not appear to align with performance expected by shareholders. WBC has made further progress on a range of fronts compared to last year.

The CEO's LTVR, which comprises 40% of his target package, did not vest in 2021 as hurdles were not met. This year his Fixed remuneration was increased by 4% to \$2.52 M following benchmarking against peers (this was foreshadowed in last year's Remuneration Report). This is less than what his two predecessors were paid. His 2022 STVR has been determined at 78% of target opportunity - this reflects the Board's assessment of the Group STVR scorecard. The LTVR again did not vest in 2022. WBC said that the Board understands that shareholders remain disappointed on their TSR as does the Board but some alignment is 'delivered' by the LTVR not vesting for CEO nor Group Executives for 7 consecutive years.

LTI design aligns with ASA's guidelines except that the TSR hurdle for commencement of vesting is set rather low at 50% payment at 50<sup>th</sup> Percentile. This could be more rigorous.

STI has performance assessed using a scorecard comprising a values and behaviours assessment against WBC's values, financial and non-financial measures linked to key strategic priorities and a modifier to support adjustment upwards or downwards (incl. to zero) for risk and reputation, people management, environmental, social and governance considerations and any other matters as determined by the Board. Half of the STVR award is deferred into equity for up to 2 years to support alignment with shareholders over medium term.

Much more detail on Senior Executive Remuneration is provided in the Annual Report (pages 76 to 86). Page 87 provides information on NED's remuneration.

The Appendix outlines the CEO & MD's Remuneration in terms of Fixed/STI/LTI for 2023 – in brief, his Fixed is \$2.52m, STI is \$2.52m at Target (Maximum \$3.75m) with half paid in Cash and half paid in Restricted Shares with 50% deferred for 1 year and 50% deferred for 2 years. LTI is \$3.25m.

Ryan Zanin was recruited to the Chief Risk position on 19 April 2022. The role is the result of 2 senior roles being combined with 2 KMP departing. His remuneration on recruitment was quite high together with a sign on amount and relocation benefits. However, he is filling a big and, at this stage in their transformation, very critical role in WBC and he was sourced from USA where remuneration does tend to be higher than in Australia. He is well credentialled to occupy the role.

Actual Remuneration for Board members and Senior Executives is disclosed in the Annual Report. As mentioned earlier, Board Directors have taken a reduction in remuneration.

ASA representative intends to vote open proxies for this resolution.

## Item 6

### Conditional Spill Resolution

This is a conditional item of business subject to the result of Item 5. This item will only be put to the AGM if at least 25% of the votes validly cast on Item 5 are cast against the resolution. Notice of Meeting covers factors that the WBC Board considers relevant to shareholders' decision on how to vote for this item and it recommends that shareholders vote against this resolution.

ASA representative intends to vote open proxies against this resolution if it is put to the AGM meeting.

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## Appendix 1

### Remuneration framework detail (CEO)

CEO rem. Framework for FY23	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	2.5	30	2.5	26.25
STI - Cash	0.8	10	1.25	13
STI – Equity-Restricted Shares	1.7	20	2.5	26.25
LTI	3.25	40	3.25	34.5
Total	8.25	100.0%	9.5	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.