



<b>Company</b>	Westpac Banking Corporation
<b>Code</b>	WBC
<b>Meeting</b>	AGM
<b>Date</b>	15 December 2021
<b>Venue</b>	Online
<b>Monitor</b>	Carol Limmer (Lead), Michael Jackson (Assist)

<b>Number attendees at meeting</b>	940 total including 73 shareholders
<b>Number of holdings represented by ASA</b>	1,541
<b>Value of proxies</b>	\$191 m
<b>Number of shares represented by ASA</b>	9.08 m (equivalent to 13th largest holder in Top 20 list)
<b>Market capitalisation</b>	\$55 b – on day of meeting
<b>Were proxies voted?</b>	Yes, on a poll
<b>Pre-AGM Meeting?</b>	Yes, with John McFarlane, Chairman & Andrew Bowden, Head of Investor Relations

**First Strike Against Remuneration & Climate, Climate, Climate!**

**Highlights**

The main feature of the meeting was a First Strike against the Remuneration Report.

The meeting (which lasted about three and a half hours) was generally well managed, as were the procedures for registering, asking questions and voting. Despite the Chairman’s efforts to corral all of the questions and comments about environmental issues around the Constitutional change resolutions proposed by activists, environmental issues popped up all over the place and the Chairman must, at times, have felt like he was in a game of whack a mole. Questions came from a broad range of people, activists (young and not so young), farmers, first Australians, ‘Bank Warriors’ and ‘Surfers for Climate’. The Chairman batted them off with basically the same response, that the company plans to reduce its exposure to fossil fuels, it only has one coal customer and is exiting coal financing (by 2030) but the country needs them to do so in an orderly way and they will honour their obligations to customers. The bank has committed to the Paris Agreement and the principle of global net-zero by 2050.

ASA’s view is that whilst WBC has taken some positive steps, the bank’s overall performance for shareholders has been quite poor. The regulatory shortfalls have been significant and the share price has declined over the past 5 years. The remuneration framework has room for improvement and should have supported a good culture and performance but indications are that this is not what happened. ASA voted proxies in favour of all resolutions, except the Remuneration Report, where ASA voted AGAINST.

## Some more detail

In their speeches (available on Westpac's website) neither the Chair nor the CEO downplayed the considerable challenges still faced by the bank, though both believe that the bank now has, or is quickly developing, the strategic focus that it has lacked for some time.

The Chair apologised for the bank's drop in market value.

The Chair expressed his initial frustration at the culture he found when he arrived at the bank, though he believes that he is now seeing better accountability and improved execution. When discussing some of the problem incidents, at one point McFarlane said 'you can't make some of this stuff up'.

The legal and regulatory risk issues they are addressing are so comprehensive, that the ambitious turnaround program will need until at least 2023. They believe the business sale program is ahead of schedule, though the Panorama wealth platform is performing well in Westpac's hands.

The Chair spent some time addressing the bank's cost reduction plan, trying to address the considerable scepticism about the plan's likelihood of success. Perhaps his main point was that to reach underlying costs of \$8 billion, the bank 'only' needs to cut \$1.1 billion (11%). Some have apparently looked at the plan as cutting from \$13.3 billion.

The bank believes it has reversed its decline in market share, though at a material cost to margins. The background is that though 2021 was generally a good year for banking, there is strong competition in the mortgage market.

## AGM Questions

Questions from ASA's Lead Monitor, Carol Limmer, so dominated the early part of the session that it was almost embarrassing!

ASA's questions covered: the Chair's number 1 concern; progress on the divestment program and pricing being achieved; where the major cost cuts would fall and how shareholders could be confident that the target would be achieved; the potential conflict between the need to spend on compliance costs and IT upgrades while at the same time reducing overall costs; whether the desired new culture was embedded at all levels; succession plans for the CEO and his direct reports; timing of determination of the six ASIC court cases; the success of the buy-back for shareholders; and hybrid meetings.

Most of the answers were predictable. More interesting comments included:

- Cost savings will not be achieved at the 'front line' and information technology investments have largely already been made.
- Surveys are conducted to check on the culture. The top 3 layers are well ahead of initial expectations, the middle and lower levels will take time. Customer focus is not where it needs to be.
- There are clear succession plans for the CEO and his direct reports but considering succession for Peter King would be premature, the Board won't even look at it in detail until 2022.
- ASIC and Westpac agreed facts and penalties will be presented to the court next year around April.
- The bank wants to return \$3.5 billion to shareholders under the buy-back and will look at other options, if needed, to achieve this objective.

- The Chair wants to move back to face-to-face meetings as soon as possible, but hybrid meetings will be considered.

### **Other Questions**

The Chair had made the point in his address that two thirds of the Executive team were new and not associated with the bank's historical problems. One questioner pointed out that the CEO had been in senior roles through the problem periods.

Another question asked whether the bank would be diving into cyber. The Chair said only if Central Banks issue digital currency. There is a lot of disruption around the payments system but retail banks would remain critical.

### **Voting Outcomes**

The entire results can be found here:

<https://www.westpac.com.au/about-westpac/investor-centre/events-and-presentations/latest-agm/>

### **Remuneration Report**

Just over 30% of votes were cast against the Remuneration Report, a clear First Strike. This was a loud and clear statement, though from the stakeholder feedback provided at the meeting it was clear that the vote was more a protest against the bank's performance over recent years than an actual protest about the level or structure of senior exec remuneration.

The Chairman said that he respected the vote against the Remuneration Report.

### **Nerida Caesar**

Almost 21% of voters did not support the re-election of Director Nerida Caesar. With 79% in favour, she was easily re-elected, but the votes against other Directors were generally around 2%.

### **Climate**

Activist organisation 'Market Forces' sought to amend Westpac's Constitution by adding an explicit power giving shareholders the ability to pass advisory (non-binding) resolutions. 93% of shareholders voted against the resolution.

Market Forces also sought to pass a resolution which would have obliged Westpac to disclose, in future annual reporting, information demonstrating how the bank would manage its fossil fuel exposures against the target of reaching global emissions of net-zero by 2050. Westpac took the view that the second proposed resolution was an advisory resolution which could be properly considered only if the first resolution was accepted. As it was not, the second resolution was not put to the meeting.

The Chair stressed the company's high level of comfort with its climate plan and its implementation. He believes that the bank has done a good job finding middle ground and that it is doing a better job than their competitors.

### **Post meeting media**

There was extensive media coverage following the meeting, including ASA mentions in printed media, Twitter, Motley Fool etc.