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Westpac now acting swiftly to address AUSTRAC and other failings

Company/ASX Code	Westpac Banking Corporation (WBC)
AGM date	Friday 11 December 2020
Time and location	10:00am AEDT Virtual AGM https://agmlive.link/WBC20
Registry	Link Market Services
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Carol Limmer and Lewis Gomes
Pre AGM Meeting	Yes with Chairman John McFarlane and Head of Investor Relations Andrew Bowden

The individuals or their associates involved in the preparation of this Voting Intentions have shareholding in this company.

Item 1	**Consideration of financial statements and reports**
ASA Vote	No vote required

Summary of Events Since 2019 AGM

The last 12 months have been the most dramatic and consequential for Westpac since the business fell on its knees in the early 1990's under mountains of unrecoverable debt. Westpac appeared to have ridden through the Hayne Royal Commission without much bruising compared with the other major banks but then in October 2019 AUSTRAC announced its allegations in respect of non-reporting of many millions of foreign transactions and, worse, that Westpac may have facilitated offshore payments to paedophiles and child abusers. Events rapidly spiralled out of Westpac's control. By the time of the December 2019 AGM, the CEO Brian Harzer had resigned and left the Bank and Chairman Lindsay Maxsted announced his retirement for early 2020 once a replacement chairman was appointed. In between these events, Westpac announced a capital raising but without declaring the full extent of the matters leading to the AUSTRAC allegations. Attendees at the 2019 AGM vented their fury for over 6 hours and voted down the Remuneration Report for the second year in a row. Several directors retired or chose not to stand for re-election. Peter King, who had been Westpac's CFO, was appointed to lead the Bank as Interim CEO.

John McFarlane, formerly CEO of ANZ and more recently chairman of several UK banks managing their way out of GFC-related financial problems, had returned to Australia and was approached to take on the Chairman's role at Westpac. He was appointed as a director in February 2020 and Chairman in April 2020 on the retirement of Lindsay Maxsted. He acted swiftly to address the many problems facing Westpac. After several months as Interim CEO, Peter King with obvious strong Board support was confirmed as CEO in April. Almost all of the senior executives of

Westpac either resigned or retired, as did several more directors, and were replaced with new recruits. All Short Term Variable Rewards (STVR) were cancelled for 2020 and many executives were subject to both financial and non-remuneration consequences.

As if its own problems were not enough, the Bank had to also deal with the worst economic crisis for almost a century when COVID-19 reached Australia in March 2020. The consequent shutdowns of businesses and restrictions on even local travel sent unemployment spiralling, banks were required to give customers relief from loan repayments and governments had to step in with unprecedented emergency funding measures. APRA imposed restrictions on all Approved Deposit-taking Institutions (ADI's) which specifically included the banks. Capital requirements were monitored and dividends restricted. In the case of Westpac, no interim dividend was paid and the final dividend to be paid in December 2020 was reduced to 31 cents per share. Westpac's share price fell from around $30 in October 2019 to about $25 in December and then to $14 in late March when the pandemic struck. By the end of FY20, the share price had improved to about $18 and by November it was back over $20, but still 30% below the price of a year ago.

ASA representatives have had the opportunity of meeting (by video) with the Chairman and Head of Investor Relations on two occasions, in July and November 2020. We found Mr McFarlane to be generous with his time and very frank about his assessment of the problems at Westpac. He also expressed his confidence that he had the experience and determination to lead the changes needed to get Westpac back on track.

Governance and Culture

The obvious question in relation to Westpac's own failings is: how and why did it go so wrong? The short answer can probably be found in its own Culture Governance and Accountability (CGA) self-assessment first completed in 2018 and updated in July 2020 at APRA's direction. Westpac's report found that its "risk culture was reactive and immature and that the three lines of defence was not well understood (and) it was clear that we had become too complex and where issues were uncovered we were too slow to act". On further reading of the report it seems that Westpac had developed a matrix management style where decisions were made within groups of people without a clear understanding of who was to take actual ownership of the issue. "Group think" and consensus prevailed rather than accountability and responsibility. These failings were either not detected by the Board or it went along with the consensus style of leadership. It could be said that loyalty to staff was put ahead of loyalty to shareholders and customers. Hard decisions were avoided, poor behaviour was tolerated and mis-management was overlooked. Arrogance and complacency prevailed, it had escaped the worst of the Hayne Royal Commission. It had been the best of times but it rapidly became the worst of times (to misquote Charles Dickens).

Westpac subsequently embarked on a Customer Outcomes and Risk Assessment Excellence (CORE) program involving 14 streams of work under three categories of:

(1) Direction and tone set by the Board and Group Executive

(2) Clear risk boundaries for decision-making

(3) Accountable and empowered people

To be frank, the cure seems almost as tortuous as the complaint. While no doubt well intended, the approximately 45 page CGA Report and the CORE program seem to suffer from the same complexities that got it into trouble in the first place. What was needed was immediate and decisive action, and this is what the new Chairman in particular seems intent on delivering. Under the tag line of Fix Simplify Perform, the Bank has appointed five new Group Executives, launched a new Specialist Businesses division to bring non-core activities together, launched a new Lines of Business operating model to clarify responsibility and accountability for end-to-end performance and commenced the CORE program bringing together initiatives to improve non-financial risk management.

Somewhat curiously, on 1 December 2020 APRA announced that is has taken enforcement action against Westpac in response to alleged “material breaches of APRA’s prudential standards on liquidity” which were apparently identified in 2019 and 2020. APRA notes that “While the breaches have been rectified, and do not raise concerns about the overall soundness of Westpac’s current liquidity position, APRA believes they demonstrate weaknesses in risk management and oversight, risk control frameworks and risk culture”. APRA now requires “comprehensive reviews by independent third parties of Westpac’s compliance with APRA’s liquidity reporting requirements….and will also require Westpac to apply a 10 per cent add-on to the net cash outflow component of its LCR (Liquidity Coverage Ratio) calculation”. Given that Westpac has already acknowledged many shortcomings in its risk management, one wonders about the timing of this action by APRA and why APRA would impose a penalty on forward transactions by Westpac when the problems, whatever they actually were, have since been rectified and did not appear to be material.

Financial Performance

Westpac reported a statutory profit of $2.29 billion, down 66% on 2019 while cash earnings were $2.61 billion, down 62%. Lower margins and higher impairment charges resulting from COVID-19, further costs associated with the AUSTRAC allegations and further remediation charges arising from financial advice matters accounted for most of the reduced earnings. In particular, notable items of $2.62 billion included provisions for AUSTRAC matters of $1.442 billion **after** tax, provisions for refunds to customers of financial advice of $440 million, write-downs of intangibles of $614 million and net impact of major asset sales and revaluations of negative $123 million. Impairment charges stood at $3,178 million at 30 September 2020 compared with $794 million the previous year. Net interest margin fell to 2.08 from 2.12 in September 2019 and 2.22 in September 2018. Operating expenses to income ratio jumped to 63% from 49% the previous year while return on equity fell to 3.4% from 10.6%. Some additional 3,500 staff were taken on to deal primarily with remediation issues where lack of documentation has made the assessment of refunds time consuming and difficult. Total staff numbers at the end of September 2020 stood at 36,850. Perhaps the only good news was that balance sheet remained very strong with a CET1 capital ratio of 11.13% compared with 10.67% the year before and net tangible assets per share remained stable at about $15.60.

Financial Summary

Item (as at FYE)	**2020**	**2019**	**2018**	**2017**	**2016**
NPAT ($m)[1]	2,290	6,784	8,095	7,990	7,445
Cash earnings ($m)	2,608	6,849	8,065	8,062	7,822
Share price ($)	16.84	29.64	27.93	31.92	29.51
Dividend (cents)	31	174	188	188	188
TSR (%)	(40.5)	12.4	(6.6)	14.5	5.7
EPS (cents)[2]	64	196	237	238	225
CEO total actual rem ($m)[3]	2.41	4.02	4.95	5.46	4.94

1.includes significant items 2. unadjusted for impact of equity raisings 3 Includes components of prior year STI and LTI awards

For 2020, the CEO's total actual remuneration was 27 times the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

Key Outcomes

The immediate impacts of the AUSTRAC matter have now been largely settled. Westpac agreed to a massive fine of $1.3 billion which is not tax deductible. In approving the fine, the Federal Court heavily criticised Westpac's behaviour and approach to the matter, describing the failings as "serious and systemic". In addition, APRA imposed an additional capital overlay of $1.0 billion on the Bank. Westpac had provided for a fine of $900 million in its 2019 accounts so another $415 million was required to be provided including payment of AUSTRAC's legal costs.

Write-downs of goodwill and intangibles associated with Westpac Life Insurance Services and Auto Finance totalled $568 million after tax. Increased provisions for customer refunds, associated costs and litigation provisions totalled $182 million after tax. Various other sales and revaluations resulted in a further net loss of $55 million after tax. Total payments to date on remediation matters is $640 million with further but lesser payments sill to come.

Westpac is looking to divest more non-core businesses but recognises that some of these business units are not yet fit for sale nor sufficiently separated from Westpac in a legal sense to be disposed.

Westpac has been strongly criticised for its past inadequate investment in IT platforms and systems, noting that many legacy systems are still in place from acquisitions such as St George Bank many years ago. Delays in assessing home loan applications and other routine matters have also been reported. The Bank has upgraded much of its technology infrastructure and has developed a detailed technology roadmap for the next phase of its transformation to build a single, multi-brand operating environment. This roadmap extends over multiple years and significant work is still required. Westpac has appointed a new CIO to drive this program and to create a much stronger digital offering to customers.

In better outcomes, a total of $64.8 billion of initial loan deferrals resulting from COVID-19 had reduced to $17.6 billion by the end of October representing $16.6 billion or 4% of home mortgages and $1.0 billion or 2% of business loans. Overall Credit Risk Weighted Assets (CRWA) rose from 1.07% in September 2019 to 1.71% a year later but the curve has noticeably flattened. With the virus now largely eliminated in Australia and New Zealand, and both economies showing strong forward growth prospects, Westpac is confident that the loan provisioning has probably peaked and may actually start to fall in the coming year. The Bank also believes it could start paying full dividends again once APRA allows it to do so.

Key Board and Senior Management Changes

As noted earlier, there have been substantial changes within both the board and senior management. At board level, Lindsay Maxsted and Anita Fung retired in March and Alison Deans will retire at the end of the upcoming AGM. Ewen Crouch, as Chairman of the Risk & Compliance Committee did not seek re-election at the 2019 AGM. New directors are John McFarlane, now Chairman, Chris Lynch and Michael Hawker. Two further new directors are expected to be appointed in the new year. Given the loss of two female directors, it is expected that women will be among the candidates for these important roles.

The appointment of Peter King as CEO raises the obvious question as to why an "insider" was appointed to this role rather than a new recruit. It was also known that Peter intended to retire in 2021, even though he is still a relatively young 50 year old. The ASA raised this point with the Chairman in our Pre-AGM meeting. Peter is an accountant by profession and joined Westpac in 1994 and has held a range of senior financial roles leading to his appointment as CFO in 2014, the position he held up to December last year. The Chairman's view is that Peter was not associated with the AUSTRAC failings, he has substantial knowledge of Westpac and of banking generally, and he is seen as a steady hand in stormy times. He also understands that Mr King did not agree with many of the decisions being made under the former CEO, which may have been a reason for Mr King contemplating early retirement. It is also evident that the Chairman is largely driving the changes to Westpac and he believes that Peter has the skills and determination to make a success in the role as CEO. The relationship between the Chairman and the CEO is of utmost importance and the chemistry between these two gentlemen will be critical to the success of the turnaround of Westpac. The ASA is therefore supportive of this decision even though some members may question it.

At management level, the changes have been extensive and are detailed on Page 71 of the Annual Report. In summary, permanent appointments are Guil Lima (Chief Executive, Business), Michael Rowland (CFO), Les Vance (Group Executive, Financial Crime, Compliance & Conduct) and Jason Yetton (Chief Executive, Specialist Businesses, Strategy & Transformation). Acting appointments and other changes are Richard Burton (Acting Chief Executive, Consumer), Gary Thursby (Acting CFO), Alastair Welsh (acting Group Executive, Enterprise Services), Curt Zuber (Acting Chief Executive, Westpac Institutional Bank) and Rebecca Lim (Group General Counsel & Enterprise Executive). Resignations include Craig Bright (CIO) and David Lindberg (Chief Executive, Consumer) and retirements include Lyn Cobley (Chief Executive, Westpac Institutional Bank). It should be noted that the products associated with the foreign transactions reporting failings were based within the Westpac Institutional Bank (WIB). Joanne Dawson was confirmed as Group Treasurer from being Acting Group Treasurer.

Further changes recently announced to take effect in the new year include the appointment of Anthony Miller as Chief Executive WIB with Curt Zuber retiring. Chris de Bruin has been appointed Chief Executive, Consumer and Scott Collary as COO. Gary Thursby will act as CIO until Scott Collary commences and will then retire. The appointment of Jason Yetton, previously with the Commonwealth Bank, is seen as important to the simplification of Westpac's business. In essence, Mr Yetton's role is to assess each of its non-core businesses and to develop strategies for sale or disposal of them. Interestingly, one change that has not happened is that of David Stephen, who remains as Chief Risk Officer. The ASA asked about David's situation at our Pre-AGM meeting; given the obvious failings in risk management, why is David still with Westpac? The Chairman's answer was that David is relatively new to Westpac having joined in October 2018, just as details of the AUSTRAC failings were becoming known to the Board. We were advised that David is now only responsible for financial risk, which has generally been well managed, while Les Vance has been appointed to manage non-financial risk where the greater problems were evident.

The ASA welcomes the many changes that have been made and, while some of the new recruits are relatively unknown to us, the intent of the changes is clear; change must happen and happen quickly. It is also commendable that the Bank has been able to recruit so many new senior people at such a difficult time in its history and with significant restraints on available remuneration offerings. Only one of the new recruits required a "sign-on" reward which was Guil Lima who received a buy-out award comprising cash and equity of $1,693,151 ($533,180 in cash with the remainder in deferred equity) to compensate his lost awards from his previous employer, HSBC. The ASA sought assurances at our Pre-AGM meeting that this loss of previous awards was verified and we were advised that proof of loss was provided by Mr Lima.

Item 2	**Grant of securities to CEO, Peter King**
ASA Vote	**For**

Summary of ASA Position

It is proposed to grant Mr King two lots of Performance Share Rights under the Long Term Variable Reward (LTVR) Plan, one being valued at $200,000 for the 2020 year and the other for $3,200,000 for the 2021 year. The former award is essentially a make-up for his appointment as acting CEO in December 2019 over that which applied to him as CFO. The latter award is for the full term as CEO for the 2021 year. The number of share rights to be awarded is based on the 5 day VWAP at 1 April 2020 for the first lot and 30 September for the second lot or $16.14 and $17.10 respectively resulting in 12,391 and 187,134 share rights respectively. Each lot is subject to testing of the relative TSR performance against a group of Australian financial institutions. The details are somewhat complex but are explained in the Notice of Meeting. Forfeiture and clawback provisions apply. The maximum LTVR of $3,200,000 is derived from 133% of Mr King's fixed remuneration of $2,400,000.

The ASA notes that these awards are not aligned with APRA's provisional guidelines for executive remuneration which require a significant portion of such awards to be based on non-financial metrics. However, APRA's position is still evolving and Westpac, in the meantime, has adopted a reduced level of LTVR still based on financial measures. In these circumstances, the ASA considers that these LTVR awards are reasonable and will be voting for this resolution.

Item 3	Adoption of 2020 Remuneration Report
ASA Vote	To be decided

Summary of ASA Position

The Remuneration Report for 2020 is seen as an interim arrangement pending resolution of APRA's requirements through its draft Prudential Standard CPS 511 and progression of Westpac's many recent personnel and role changes. The Bank will be undertaking a review during 2021 of its remuneration strategy to place greater emphasis on rewarding long term rather than short term achievement. With regard to the APRA document, recently announced changes to its first publicly released draft are already substantial. The previous proposed requirement that at least 50% of variable rewards should be based on non-financial metrics has been soften to a requirement that an undefined "material weight" be applied to non-financial metrics. The finance industry is still trying to understand what this requirement actually means and further changes to the APRA standard are expected.

The CEO's remuneration framework for 2020 is presented in the following table. It should be noted that actual paid remuneration comprised \$2.12 million in fixed remuneration and \$0.29 million in vested STVR from earlier years giving a total remuneration of \$2.41 million. No STVR was awarded to any executive on account of collective responsibility for the AUSTRAC failings and no LTVR awards vested in 2020 for any executive personnel as TSR hurdles were not met. The overall package shown in the table represents a 10.7% reduction to that which applied to the previous CEO but as noted actual remuneration for the CEO for 2020 was less than one third of the target and only one quarter of the maximum possible remuneration.

Under this framework, any STVR (had it been paid) would have been 50% in cash payable at the end of the period, 25% in deferred equity for one year and the other 25% deferred equity for two years. The LTVR award would be tested over 4 years before vesting on the basis of relative TSR against a selected group of Australian financial institutions. For 2021, the framework is essentially unchanged. The STVR for the CEO is divided into a range of metrics being 40% financial, 20% for risk management and 10% each for balance sheet risk management, customer franchise, digital transformation and operating model. The LTVR will be measured against relative TSR using a selected group of eight equally weighted comparator financial companies. Of the total available LTVR, 50% will vest at the median value (50^{th} percentile) of the comparator group with a straight line increase to 100% at the 75^{th} percentile. Forfeiture and clawback provisions will apply.

With regard to overall employee conduct, the Bank managed 1,070 employee conduct matters in Australia in 2020 of which 108 employees exited the business and 427 employees were subject to formal disciplinary outcomes. We were advised that the Board actively manages employee performance and behaviour issues through both the Board Risk Committee and through monthly meetings with the CEO and CFO. It is understood that Westpac did not receive any Jobkeeper assistance from the Commonwealth Government.

CEO Remuneration Framework for FY20

Component	Target $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	2.40	30	2.40	26
STI - Cash	1.20	15	1.80	20
STI - Equity	1.20	15	1.80	20
LTI	3.20	40	3.20	34
Total	8.00	100	9.20	100

The question of ASA support for this resolution is challenging. If looked at over the past year in terms of shareholder outcomes, the vote would be decidedly against the Remuneration Report given the loss of dividends and falls in the share price. Furthermore, the trust of shareholders in the Bank has been severely damaged as a result of both management and board failings. Reputations have been trashed and huge costs have been incurred in relation to AUSTRAC penalties, legal fees and internal time that could have been better spent running the business. These costs and associated reputational damage are ultimately borne by the shareholders. While there have been remuneration and other consequences to executives responsible for these problems totalling more than $20 million across 38 executives, managers and other employees, it could be reasonably argued that the collective cost to shareholders has been very much higher.

The alternative view is that looking ahead, it is clear that the new Chairman will be a force for significant change as already evidenced. In our meetings with him, he has shown a strong and urgent no-nonsense approach to the problems that beset Westpac. He is candid about these problems and their causes, and is making no excuses. He has the experience of not only Australian banking but also of UK banking. He has taken leading roles in dealing with many of the problems that beset the latter banks over the last decade. While he was probably looking to a comfortable retirement in Australia last year, he now looks and acts like a man on a mission. So, can he make Westpac great again and should the ASA support him in doing so?

On balance, the ASA representatives believe we should support Westpac in the actions already undertaken in its significant transformation efforts and noting the determination expressed by the Chairman to continue to move quickly to address the many outstanding matters ahead of it.

Item 4(a)	Re-election of Mr Peter Nash as a Director
ASA Vote	Undecided

Summary of ASA Position

Mr Nash was formerly a Senior Partner with KMPG and National Chairman of KPMG Australia until September 2017. Mr Nash is also a Non-executive Director of ASX Limited and Mirvac Group and Chairman of Johns Lyng Group Limited. Mr Nash has worked in geographically diverse and complex operating environments providing advice on a range of topics including business strategy, risk management, internal controls, business processes and regulatory change as well as audit experience.

Mr Nash joined the Westpac Board in March 2018, just prior to the AUSTRAC matters becoming known to it. He is Chairman of the Board Audit and Board Legal, Regulatory & Compliance Committees and a member of the Board Risk and Board Nominations & Governance Committees. He held 15,260 shares in Westpac as at 1 November 2020. The Board, other than Mr Nash, supports the re-election of Mr Nash as a director of Westpac.

The questions for Mr Nash is: given his stated experience in risk management, to what extent was he aware of the AUSTRAC matters during his first term as a director and what did he do to address the problems that became evident? Why should shareholders entrust another term to him? The ASA will be guided by his answers to these questions before deciding on how to vote on his re-election.

Item 4(b)	Election of Mr John McFarlane as a Director
ASA Vote	For

Summary of ASA Position

Mr McFarlane was formerly Chairman of Barclays plc, Aviva plc and First Group plc, and Chairman of The City UK. He has also been a Non-executive Director of Westfield Group, The Royal Bank of Scotland Group, Capital Radio and was a council member of The London Stock Exchange. Mr McFarlane served as CEO of the ANZ Banking Group from 1997 to 2007 and was a Group Executive Director at Standard Chartered. He also held roles with Citicorp and earlier with Ford Motor Co. He was appointed as a director of Westpac in February 2020.

Mr McFarlane is a senior figure in global banking and financial services and has over 45 years of experience in the sector. He brings considerable leadership and deep global banking experience to the Board. He held 10,000 shares in Westpac as at 1 November 2020 but we understand that he has since made further substantial purchases of shares. The Board, other than Mr McFarlane, supports the election of Mr McFarlane as a director of Westpac.

Given our earlier comments on Mr McFarlane and his importance to the recovery of Westpac, the ASA strongly endorses his election.

Item 4(b)	Election of Mr Christopher Lynch as a Director
ASA Vote	**For**

Summary of ASA Position

Mr Lynch was formerly a Non-executive Director of Rio Tinto from 2011 to 2013 and then an Executive Director from 2013 to 2018. He was Global CFO of Rio Tinto, based in London, from 2013 to 2018. He was the CEO of Transurban Group from 2008 to 2012 and prior to that period he held a range of executive roles with BHP Billiton including that of CFO and with Alcoa Inc. He was appointed as a director of Westpac in September 2020.

Mr Lynch has significant experience in global mineral resources and infrastructure as well as extensive listed company director experience. He brings deep operational and financial expertise to the Board. He is a member of the Board Audit and Board Risk Committees. He held 13,090 shares in Westpac as at 1 November 2020. The Board, other than Mr Lynch, supports the election of Mr Lynch as a director of Westpac.

Mr Lynch comes to this role untainted by past Westpac issues and brings a range of skills and experiences that should be complementary to other Board members. The ASA therefore supports his election.

Item 4(d)	Election of Mr Michael Hawker as a Director
ASA Vote	**For**

Summary of ASA Position

Mr Hawker was CEO of Insurance Australia Group from 2001 to 2008 after previous roles at Westpac as Group Executive of Business and Consumer Banking and General Manager, Financial Markets from 1995 to 2001. Prior to Westpac he was Deputy Managing Director of Citibank Australia and an Executive Director of Citibank International. Until recently he was a Non-executive Director of Macquarie Bank and Macquarie Group Limited, Aviva plc, President of the Insurance Council of Australia and various other senior roles. He is currently a Non-executive Director of BUPA Global Board (UK) and is Lead Independent Director of Washington H Soul Pattinson and Company Ltd. He was appointed as a director of Westpac in November 2020.

Mr Hawker brings substantial experience and knowledge of the financial services industry to the Board with over 35 years of executive and non-executive director experience in regulated entities in Australia and internationally. He is not listed as a director as at 1 November 2020 in the Annual Report and hence no shareholding is stated. The Board, other than Mr Hawker, supports the election of Mr Hawker as a director of Westpac.

Other than his past but now distant experience with Westpac, Mr Hawker seems well qualified to add value to the Board and the ASA therefore supports his election.

Item 5(a)	Election of Mr Noel Davis as a Director
ASA Vote	Against

Summary of ASA Position

Mr Davis is a barrister with over 40 years of experience specialising in financial services, superannuation, insurance and taxation. He has advised most of the large financial services companies and, in some instances, their boards, including their dealings with regulators. He was formerly a partner at Hunt & Hunt and Clayton Utz law firms and was a consultant to King & Wood Mallesons. He was a former director of Count Financial Limited and various other organisations involved in the superannuation industry.

Mr Davis has nominated himself for a position as a director of Westpac as he believes shareholders should have a choice as to who they vote for rather than have only candidates that have been nominated by the Board. Specifically, he believes he can contribute to the Board as part of general oversight and dealing with risk and compliance issues expeditiously and by scrutinising what in his view is excessive remuneration within banks. Mr Davis has not declared any shareholding in Westpac. The Board does not support the election of Mr Davis and recommends voting against this item of business.

While the ASA respects the views and commitment of Mr Davis to make a difference to Westpac, the ASA believes that Mr Davis does not have the skills and experience offered by other candidates and therefore recommends voting against his election as a director of Westpac.

Item 5(b)	Election of Mr Paul Whitehead as a Director
ASA Vote	Against

Summary of ASA Position

Mr Whitehead is an engineer who has worked on many large engineering projects in Australia and the Middle East. His focus is on contract negotiations and cost management to achieve his employer's budget or better than expected profits.

Mr Whitehead acknowledges that he "has always worked as an engineer and has no banking employment experience". He states that "if elected he will truly be independent as he is not preconditioned to financial practices and will feel free to challenge modes of thinking and operations to achieve ethical shareholder value". Mr Whitehead has not declared any shareholding in Westpac. The Board does not support the election of Mr Whitehead and recommends voting against this item of business.

While the ASA respects the views and commitment of Mr Whitehead to make a difference to Westpac, the ASA believes he does not have the skills and experience offered by other candidates and therefore recommends voting against his election as a director of Westpac.

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