

Board Remuneration Committee Charter

10 August 2011

PURPOSE

- 1) The primary function of the Board Remuneration Committee (**Committee**) is to assist the Board of Directors of Westpac Banking Corporation (**Board**) in fulfilling its oversight responsibility to shareholders by ensuring that Westpac Banking Corporation (**Westpac**) has coherent remuneration policies and practices that fairly and responsibly reward individuals having regard to performance, Westpac's risk management framework, the law and the highest standards of governance.
- 2) The Boards of Westpac Group¹ entities regulated by Australian Prudential Regulation Authority (**APRA**) may delegate their remuneration committee function to the Committee to be exercised on a Westpac Group basis.
- 3) The Committee's purpose is:
 - a) to review and make recommendations to the Board in relation to the Westpac Group Remuneration Policy (Group Remuneration Policy) and to assess the Group Remuneration Policy's effectiveness and its compliance with Prudential Standards;
 - b) to review and make recommendations to the Board in relation to the individual remuneration levels of the Chief Executive Officer (CEO), Non-executive Directors, Group Executives, other executives who report directly to the CEO, other persons whose activities in the Board's opinion affect the financial soundness of Westpac, any person specified by APRA, and any other person the Board determines;
 - c) to review and make recommendations to the Board in relation to the remuneration structures for each category of persons covered by the Group Remuneration Policy;

¹ Westpac and its related bodies corporate.

- d) to review and make recommendations to the Board on corporate goals and objectives relevant to the remuneration of the CEO, and the performance of the CEO in light of these objectives;
 - e) to review and make recommendations to the Board on short-term and long-term incentive plans for Westpac's Group Executives;
 - f) to review and make recommendations to the Board in relation to approving any and all equity based plans; and
 - g) to oversee general remuneration practices across the Westpac Group.
- 4) The Committee will primarily fulfil these responsibilities by carrying out the activities outlined in paragraphs 19 to 47 of this Charter – Responsibilities and Duties.

COMPOSITION

- 5) The Committee membership and the Chairman of the Committee will be as determined from time to time by the Board. The Committee will consist of not less than three Directors of Westpac.
- 6) Each of the members will be independent directors and free from any business or other relationship that, in the opinion of the Board, would materially interfere with the exercise of his or her independent judgement as a member of the Committee.
- 7) Should the Chairman of the Committee be absent from any meeting of the Committee, the members of the Committee present at that meeting shall appoint one of their number to be chairman of that meeting.

MEETINGS

- 8) The Committee will meet at least four times a year, or more frequently as circumstances dictate.
- 9) In addition to the members of the Committee, other independent Directors of the Board are entitled to attend Committee meetings and will receive copies of the papers.
- 10) The CEO of Westpac shall be invited to attend Committee meetings but will have no voting rights and must not be present during discussions on his or her own remuneration.
- 11) Other non-Committee members such as Executives and/or external parties that the Chairman and members of the Committee think fit may be invited by the Committee Chairman to attend all or part of a Committee meeting but should not participate if they have an interest in the matter under consideration.
- 12) A quorum of any meeting will be two members.
- 13) The secretary of the Committee will be the Group Executive, Counsel and Secretariat or his designated representative. The agenda and supporting documentation will be circulated to the Committee members within a reasonable period in advance of each meeting. The secretary of the Committee will circulate minutes of meetings to members of the Committee and the Board.

- 14) The Committee may adopt such rules and regulations as it deems appropriate for the conduct of its affairs, provided only that they are not inconsistent with the Westpac constitution, this charter or any resolution of the Board.

REPORTING

- 15) The Committee shall regularly update the Board about Committee activities and make appropriate recommendations including through:
 - a) Copies of minutes of each meeting of the Committee being tabled at each meeting of the Board at the next practical opportunity; and
 - b) The Chairman of the Committee drawing to the Board's attention any matter of major importance.
- 16) At the discretion of the Chairman and members of the Committee, any relevant matters deemed to be of major importance should be referred to the Board for its attention.
- 17) The Committee will oversee the preparation of any reports required by law or listing rules or requested by the Board including relevant remuneration sections of the annual report and other shareholder documents. The Committee will review and recommend to the Board for approval the Remuneration Report to be included in the annual Directors' Report.

RESPONSIBILITIES AND DUTIES

- 18) Without limiting its role, specific duties and responsibilities of the Committee include those in paragraphs 19-47.

Group Remuneration Policy

- 19) Review and make recommendations to the Board in relation to the Group Remuneration Policy and to assess the Group Remuneration Policy's effectiveness and its compliance with Prudential Standards.
- 20) Review the ongoing appropriateness and relevance of the Group Remuneration Policy at least every three years or when there are any proposed amendments. In particular, the Committee must be satisfied that:
 - a) all applicable provisions regarding remuneration and its disclosure, including superannuation, as set out in relevant laws and regulations are appropriately reflected in the Group Remuneration Policy;
 - b) the Group Remuneration Policy encourages behaviour that supports Westpac's long-term financial soundness, growth and success within an appropriate risk management framework;
 - c) the Group Remuneration Policy demonstrates a clear relationship between individual performance and remuneration; and
 - d) the Group Remuneration Policy specifies an appropriate mix of remuneration, reflecting the short and long term performance objectives appropriate to Westpac's circumstances and goals.

- 21) Review and make recommendations to the Board in relation to the recruitment, retention and termination policies and procedures for the CEO, Group Executives and other executives who report directly to the CEO.

Non Executive Directors

- 22) Having regard to input from the Board's independent remuneration consultant, review and make recommendations to the Board on the remuneration framework, policies and fee levels for Non-executive Directors on the Board. In making its recommendations, the Committee will take into account the Non-executive Directors' remuneration principles, as approved by the Board from time to time.
- 23) Review and make recommendations to the Board on the remuneration framework, policies and fee levels for Non-executive Directors of subsidiary boards. In making its recommendations, the Committee will take into account the Non-executive Directors' remuneration principles, as approved by the Board from time to time.

Chief Executive Officer

- 24) Review and make recommendations to the Board annually on the entire specific contractual and remuneration arrangements for the CEO having regard to the Group Remuneration Policy, including:
 - a) fixed remuneration levels;
 - b) short and long term remuneration targets and outcomes (including performance targets);
 - c) superannuation arrangements;
 - d) any termination payments to be made;
 - e) retention and sign-on rewards;
 - f) the development of any equity based plan to apply to the CEO; and
 - g) any other forms of remuneration.
- 25) In conjunction with the Chairman of the Board:
 - a) evaluate and make recommendations to the Board on the performance of the CEO in light of his or her goals and objectives;
 - b) determine the outcome of any performance hurdles in relation to any equity based plan (Equity Plan) in which the CEO may participate, and provide written notification to the CEO of any such performance determination.

Executives

- 26) Review and make recommendations to the Board annually on the individual remuneration levels and arrangements for Group Executives, other executives who are direct reports of the CEO and any other person the Board determines having regard to the Group Remuneration Policy, including:
 - a) fixed remuneration levels;

- b) short and long term remuneration targets and outcomes;
 - c) superannuation arrangements;
 - d) any termination payments to be made;
 - e) all incentive awards to be made to each individual;
 - f) retention and sign-on awards; and
 - g) any other forms of remuneration.
- 27) Review and make recommendations to the Board in relation to the remuneration structures for each category of persons covered by the Group Remuneration Policy.
 - 28) Approve the specific individual contractual arrangements for Group Executives and other executives who are direct reports of the CEO.
 - 29) Review and make recommendations to the Board on the design and rules of the short-term incentive plans for Group Executives having regard to the Group Remuneration Policy.
 - 30) Review recommendation from the CEO, and recommend to the Board application of discretion to adjust performance based components of remuneration downwards, or to zero if appropriate, if the Board subsequently considers that having regard to material risk or financial-related information which has come to light after the grant of the deferred STI, all or part of the initial grant of deferred STI was not justified.

Equity Based Plans

- 31) Review the design and terms of all Equity Plans for approval by the Board, including plan rules and applicable performance hurdles.
- 32) Approve the provision of 'financial assistance', as that term is defined in the *Corporations Act* (Cth), relating to any invitation under any Equity Plan.
- 33) Keep all plans under review in the light of legislative, regulatory and market developments.
- 34) Review and approve total proposed awards under each plan, including the minimum parcel, the allotment and issue of shares and/or the approval of the acquisition of Westpac shares for the purpose of any equity plan.
- 35) Approve the introduction of sub-plans or minor amendments to the Equity Plan rules.
- 36) Exercise the discretions of the Board as permitted in the rules of each Equity Plan (but not to the exclusion of the Board or of any other individual(s) to whom discretions may be delegated) and make all such determinations that are required for the effective administration of any of the Equity Plans.
- 37) Approve policies in relation to minimum shareholding guidelines (being the minimum number of shares to be held by employees in their own name and beneficially) for the purposes of any one or more Equity Plans.

Westpac Staff Superannuation Plan

- 38) Exercise the discretions of the Board as permitted in the Westpac Staff Superannuation Plan Trust Deed and Westpac's policies in relation to the Westpac Staff Superannuation Plan (but not to the exclusion of the Board).

General Remuneration across the Westpac Group

- 39) Review and recommend to the Board the size of variable reward pools as part of Westpac's annual plan based on consideration of pre-determined business performance indicators and the financial soundness of Westpac.
- 40) Review and note annually the remuneration trends across the Westpac Group.
- 41) Be aware of and advise the Board on any major changes in employee benefit structures throughout the Westpac Group.
- 42) Approve remuneration arrangements outside of the Group Remuneration Policy relating to individuals or groups of individuals which are significant because of their sensitivity, precedent or disclosure implications.

Other Responsibilities

- 43) This charter should be reviewed and updated at least annually and changes required should be recommended to the Board for approval.
- 44) To the extent the Committee deems necessary, retain independent legal, accounting, risk or other advisors and engage or terminate such advisors on its own terms.
- 45) The Committee may obtain independent advice to assist it in the performance of its responsibilities and duties. Any engagement of a remuneration consultant to provide a remuneration recommendation in respect of Key Management Personnel must be conducted by the Committee.
- 46) The Committee may access internal personnel and any reports obtained from third parties by such internal personnel.
- 47) Members of the Committee must be available to meet with the APRA on request.

DELEGATION TO ACT

- 48) The Committee may, in its discretion, delegate some or all of its duties and responsibilities under paragraphs 23, 32, 34, 35, and 36 to the Chairman of the Committee or the Chairman of the Board and may delegate any of its duties and responsibilities to a sub-committee of the Committee.