TRANSCRIPTION

Company: **Westpac Banking Corporation**

Date: **14/12/2023**

Time: **10:00 (Brisbane time)**

[START OF TRANSCRIPT]

Tim Hartin: Well, good morning, ladies and gentlemen, and welcome to the 2023 Annual General Meeting of Westpac Banking Corporation. My name is Tim Hartin, and I am Westpac's Company Secretary. We're delighted to introduce Aunty Kay, Terika Bonner and Shalara Smith to officially welcome us to Country.

Kayleen Bowden: Okay. Good morning, everybody. I'd like to introduce myself firstly, my name is Kayleen Bowden, I'm a proud Ngarabal Kamilaroi person from New South Wales, Northern New South Wales. This is my granddaughter Shalara, she's from Jagera country and Terika Bonner from Jagera country. Terika is Senator Neville Bonner's granddaughter, so there you go. Where am I? I've lived and breathed Jagera for the last 50 years – I hold strong connections to the Jagera Nation through my three children, eight grandchildren and one great-grandchild. I believe we have some Tiwi Island people here today. Brothers and Sisters, I'd like to welcome them to Brisbane, Meanjin.

I'm here today to acknowledge the traditional owners on behalf of Indigenous people of country and non-Indigenous people to show gratitude and respect for the traditional owners of the beautiful lands on which we live and celebrate their enduring knowledge to connection to country. We honour the wisdom and pay respect to the Elders past and present, who walked before us, who walk beside us and who will walk after us. This year's NAIDOC theme is 'For the Elders'. May we pay respects for the Elders we have lost and for those who continue fighting across all Nations, may we pay respect to them.

We would like to be recognised for our culture, our language and our ceremony, along with our spiritual connection to our country. I'd like to extend that respect to all people who gather here today, acknowledge the spirit of peace and reconciliation. This is Aboriginal land – always was and always will be. I'd like to give the mic over to Terika Bonner now – she would like to say something – and I'm very nervous, I'm sorry.

Terika Bonner: Welcome, welcome, welcome to my country, and thank you all for having us.

Kayleen Bowden: Yes, thank you, everybody – I hope you have a really enjoyable day. Thanks for inviting us – it was a pleasure. Thank you.

Tim Hartin: Well thank you very much, Aunty Kay, Terika and Shalara. We are of course very pleased to be meeting here on Turrbal and Jagera country and thank you for joining us today.

At today's AGM, shareholders may participate in person, through the AGM Online Platform, and by telephone. Before I introduce your Chairman, I'll run through a few procedural matters which are intended to provide shareholders as a whole an opportunity to participate in today's meeting.

For each item of business, we'll handle questions in this order. Firstly in person, then from the telephone, and finally from the online platform. Time permitting, we may come back to remaining questions in the room for each item of business. If you are attending here in person and wish to ask a question, please respect that we want to hear from as many shareholders as possible, and if you're here in person, you should have received a coloured card at registration. A red voting card allows you to speak and vote. Blue cardholders can speak but cannot vote. Yellow cards are for visitors who observe today's meeting but cannot speak or vote.

If you do wish to ask a question, please approach a microphone attendant, and show them your red or blue card. If you have a mobility restriction, please raise your hand and a microphone will come to you. All resolutions today will be decided by a poll, and if you're here in person, please mark your voting card to cast your vote for each resolution. Link Market Services is the Returning Officer responsible for overseeing the voting process for this meeting and can, of course, assist with any questions.

Completed voting cards must be placed in one of the ballot boxes, under the supervision of the Returning Officer, and you can do this at any time after the Chairman opens the polls. Voting will close 15 minutes after the meeting has concluded and the results of the polls will be advised to the ASX, and also available on Westpac's website.

For shareholders participating online or by telephone, our Online AGM Guide provides all the information you need to vote and to ask questions. This guide is located on our website and on our online platform. We do ask that you submit one online question at a time. Please also note that you cannot vote over the phone.

For shareholders on the telephone, please press star one when the Chairman calls for the questions on the respective item of business. If you do have any issues using the online platform, please check the Online Guide or alternatively call Link Market Services on 1800-990-363. For telephone participants, press star zero on your keypad for assistance.

I'll now hand over to your Chairman, John McFarlane.

John McFarlane: Well, thank you, Tim. I've been advised that a quorum is present and I therefore declare the 2023 Annual General Meeting of Westpac Banking Corporation open. I also declare the polls open. I'd like to extend a warm welcome to everybody joining today in person, online, and on the telephone. I'd now like to introduce my fellow Directors.

On my left is Audette Exel, Peter Nash, Nora Scheinkestel, Chris Lynch, Margie Seale, and Michael Ullmer. On my right is Tim Hartin, Westpac's Company Secretary. Next to Tim is Peter King, our Chief Executive Officer. Then Steven Gregg, who will become your Chair at the end of this meeting, Nerida Caesar and Tim Burroughs. Seated in the front row are our Executive Team, together with Westpac's Auditor, Colin Heath of PwC. If you have any questions in relation to the Audit, I will ask Colin to respond.

Before we move to the matters of the Notice of Meeting, both the CEO and I would like to address the meeting.

Now I am particularly delighted with holding this year's meeting in Brisbane. The hybrid format will allow shareholders to participate either in person or online. When I joined Westpac just under four years ago, in what was a difficult period for the Company, we set up an agenda that would transform the Company during my timeframe and well beyond. Fortunately, we've made good progress and are now set up for the journey beyond.

Initially, we set up radically simplifying the business portfolio of the Group, to focus on our main franchise in Australia and New Zealand, where we have natural strengths. We've since sold 10 businesses and also, following some years of erosion of our market position, we made it a priority for the Company to maintain or grow its position in key markets. As a result, our position has now stabilised and we have the potential to maintain, or enhance that, going forward.

So turning to the year just gone, we've just seen our best financial and operating performance in the last five years. Profit after tax in 2023 was $7.2 billion, up 26% on a statutory basis. Return on tangible equity was solid at 11.4%, well above the cost of equity. Income was strong, up 10%. Credit impairments charge almost doubled off a very low base, reflecting the effects of interest rate rises and inflation on our customers. While costs were down 1%, excluding notable items in businesses sold, they were up underlying 2%. Now this is the area where we expect to derive the greatest benefit from systems rationalisation in the future.

Our capital position remains strong, with a core equity tier 1 ratio of 12.4%, well ahead of our target operating range of 11% to 11.5%. This excess capital position provided us with the flexibility to reward shareholders with an increased final dividend of $0.72 and a $1.5 billion buyback.

These are important beginnings for the Group, but by no means the end. Following several historical acquisitions that were not fully integrated, Westpac remains operationally and technologically complex compared to peers. So for us to achieve best practice, this can't continue. So during my tenure as Chair, the Group has had limited investment capacity to address this particular issue, due to more pressing priorities. We've had to prioritise our investment capacity, primarily to reducing operational and non-financial risks.

Our total annual investment spend has been an average of some $2 billion over recent years. However, more than 60% of this has been directed towards necessary risk and regulatory matters and operational risk improvement, including the delivery of the Customers Outcomes and Risk Excellence program, or CORE program.

Now this program has been integral to improving the risk management, following the deficiencies identified by both internal and regulatory assessments. The Board has oversight of the program, and the accountability is reflected in executive remuneration outcomes.

Now I'm pleased to report we're on track to complete all activities under the integrated plan by the end of this calendar year. Now given we remain committed to ongoing improvement in risk management and culture, work will continue this financial year to ensure change is sustainable and effective. Beyond this current year, we intend to direct investment to other strategic priorities, and fortunately, the Group now has the capacity to carry out this forward program. So over the next four years, we will now finally integrate our diverse systems and move into a single origination processing and technology platform. When completed, we expect this will have considerable benefit for customers through better service for our people through simpler and more efficient processes, and for shareholders through lower costs and revenue upside.

Now I know shareholders are concerned about climate change and believe our support for a just transition to a net zero future is appropriate for our customers and for the country. We look forward to continuing our dialogue with shareholders on this important matter later in the meeting and beyond. So to this effect, we are today putting to shareholders our own advisory resolution on climate change which we hope shareholders will support.

Now this is my final year as your chairman, and reflecting on my time here, we've radically simplified the Group and set it on a path for further simplification. More recently, we've improved performance and capital strength with higher returns for shareholders. We sold 10 non-strategic businesses to focus on our natural strength in consumer, business, and institutional banking in Australia and New Zealand. As a result, we consolidated our international institutional network in fewer locations.

Notwithstanding this, I'm conscious that the past few years have taken the toll on our share value, which I deeply regret. As I've outlined, we've taken, and are taking further actions to correct this, and believe it will achieve the desired outcome.

Turning to the Board, I'm pleased that Steven Gregg has joined as Chairman-Elect to replace me. He's a seasoned chairman with strong banking credentials. Steven has aligned his current directorships to ensure he has the capacity to allocate the time necessary for a major regulated bank.

In the year, there have been a few additional changes to the Board. Tim Burroughs and Michael Ullmer, with strong banking and investment banking credentials respectively, joined the Board as non-Executive Directors and are already making a strong contribution to the Company. All three are standing for election at this year's AGM.

Mike Hawker retired from the Board during the year, and Chris Lynch, as well as me, are retiring today following the AGM. So on behalf of the Board and shareholders, I'd like to thank Mike and Chris for their contribution to Westpac during their time here.

I would particularly like to thank our customers for their support. They can be assured of our continued support as we go forward. I would also extend my appreciation to you, our shareholders, for staying with us through what has been an incredibly difficult and turbulent time for the Group, but I believe it will pay off. So to the Board, the management team, and employees, I thank you for your hard work and dedication during the year and I wish you well for the future.

In closing, I genuinely believe we've made progress as a Group, that we've seen the worst but still require further improvement. So notwithstanding near-term uncertainties on the economic front, and the scale of investment required to undertake a major program, looking beyond these, I am confident that for Westpac the best is yet to come.

Now let me hand over to Peter King, our Chief Executive. Thank you.

Peter King: Well, thank you, Chairman. Good morning and welcome to shareholders in the room and online. It is great to be back in Queensland. This is an exciting time for this State. Tourism is rebounding, you have big plans in infrastructure, and of course we can now call Brisbane an Olympic City. Westpac is also expanding in Queensland. Our Gold Coast technology hub houses over 100 engineers working on our award-winning digital app.

More broadly, Australia is navigating a challenging economic environment. The economy bounced back strongly from the pandemic; however, the recovery in activity and high inflation has driven up interest rates. We recognise it's been a difficult time for many people with some customers needing our help to manage cost-of-living pressures. At the end of our financial year in 2023, 13,000 customers were in hardship. Our message to any customer who needs help is to call us early. Our thoughts are also with those impacted by Cyclone Jasper, and once again, if you need help, please contact us.

Turning to the financial, this year we strengthened the balance sheet and improved financial performance. Net profit rose 26% to $7.2 billion, while pre-provision profit was up 24%. The key features of this result were strong revenue growth of 10%, well-managed costs which declined 1%, and a higher impairment charge which rose to 9 basis points of loans. The increase in revenue was driven by higher net interest margins, and solid growth in home and business loans.

Benefits of our cost reset program exceeded inflationary pressures; however, costs were higher in the second half and we have taken action to limit expense growth going forward. The rise in impairment charge reflected a modest deterioration in credit quality. The stronger net profit allowed us to pay dividends of $1.42 per share which is up 14% on 2022. This represented a payout ratio of 69% of net profit.

Total shareholder return has improved and is positive over one and three years. However, we acknowledge it's been a challenging period for relative share price performance.

Turning to the balance sheet, our capital position is the strongest I've seen in my nearly three decades of the Group. Our CET1 ratio of 12.4% is well above the top of the target range of 11.5%. This supported us commencing a $1.5 billion share buyback last week. The buyback is in addition to $5 billion of dividends for 2023.

After three years of hard work, and as the Chairman said, we are a simpler and stronger bank. Our operating structure is set up for growth. With the portfolio simplification complete, we've wound down the specialist Business division which now sees four divisions – Consumer, Business and Wealth, Institutional, and New Zealand. They are supported by centralised teams, particularly in technology and operations.

We also made good progress in customer experience, although we know there is more to do. This year, the Westpac app was recognised by Forrester as the best banking app in Australia. It's used five million times a day and with new budgeting tools helping customers manage the cost-of-living pressures. This has also supported solid household deposit growth.

In mortgages, the completion of the single origination platform and process simplification have improved service. This sees us targeting mortgage growth in line with system in financial year 2024.

Business customers, via EFTPOS Air, can now use their mobile phone as a payment terminal and also get paid the same day. We're extending this capability to multi devices so the service can be used by larger businesses.

In institutional banking, we're making progress to reclaim the leading domestic bank position. Financial markets now ranks first in several key product categories including government and semi-government bond issuance with market share increasing to 20%. We've also seen momentum in both lending and transactional banking in the institutional bank.

Risk is at the heart of everything we do and we've made good progress on improving our risk management capabilities. Our Customer Outcomes and Risk Excellence program is in its third year, and our focus in 2024 turns to ensuring that changes are embedded across the business. The CORE program remains a top priority for the Company.

Another priority is fighting back against scammers. We're scaling up to detect and halt scams, including adding new features to make payments safer.

We know banking is changing, in particular the shift to digital. 96% of transactions are now digital and customers are using branches less. Notwithstanding this, access to cash remains important, and we've bolstered our physical presence in several ways. Customers can now make cash transactions in any branch across any Group brand. We've entered a new 10-year arrangement with Australia Post which provides access to over 3,400 sites across Australia. We're also providing access to approximately 7,000 fee-free ATMs Australia-wide.

Becoming a more sustainable bank makes good business sense. We believe climate change will impact the economy and customers, and therefore it is a risk that must be managed. Through our refreshed sustainability strategy, we are responding to climate change in three ways. Firstly, reducing our own emissions, and we now source the equivalent of 100% of Australian electricity from renewables. Second, setting up targets and pathways for the largest emitting sectors, and we've now set targets in eight of the nine sectors and our focus is working with customers as they transition to zero. Third, collaborating with regulators, government and industry on key national initiatives.

Part of the Group's sustainability strategy is to respect and advance human rights, including Indigenous Reconciliation. We've long advocated for reconciliation, having launched our first Reconciliation Action Plan in 2010. In 2019 we supported the Uluru Statement from the Heart. We're also a founding member of Jawun, more than 20 years ago, and through this partnership 1,000 Westpac employees have completed secondments to Indigenous communities and projects. This year we supported the Voice to Parliament with a $1.75 million donation.

Diverse views and points of view are important to us, and we believe it leads to better decisions and outcomes. We know there are differing views on this topic, and we also made it a point of not telling our people how to vote. Of course, we respect the result of the referendum.

So, in conclusion, Westpac is well placed. We're entering 2024 in a strong financial position, ready to navigate slower economic growth, some revenue headwinds, and higher costs. We will strive to make banking easier, more intuitive and digital for customers. Accelerating the simplification of our processes in technology is key to achieving these outcomes. We intend to reduce the size of our technology stack by two-thirds. The aim is to lift service and productivity, growing key markets and improve returns.

Finally, thank you to our departing Chairman, to our people, and to you, our shareholders. Thank you.

John McFarlane: Thank you, Peter. We'll now wait a few moments while the photographers and those with recording devices leave the room.

Several shareholders submitted questions ahead of the meeting with the main themes focused on financial performance, climate change and Westpac's support for the Voice to Parliament. Peter and I have dealt with these themes in our addresses.

Now moving to today's meeting, we request that questions asked today are relevant to shareholders and to the items of business. Questions on customer, or personal matters, will not be addressed during this meeting. Where you have a banking issue or question, one of our customer representatives here will contact you separately. Senior management and Adrian Ahern, Westpac's customer advocate, are also available to meet shareholders outside in the foyer after the meeting. Now since there are three climate change resolutions, to ensure the orderly running of the meeting, I will take all questions and discussion on climate change when we get to those items later.

The Notice of Meeting has been distributed and I'll take it as read. So we'll now move to the matters of the meeting that are declared in the Notice. I'll introduce each item of business separately and then respond to the questions related to that specific item.

Now the first item of business concerns the receipt and consideration of the Financial Report, the Directors' Report, and the Auditor's Report of Westpac Banking Corporation for the year ending 30 September 2023. If you'd like to ask a question in the room, please [move] to one of the microphones or request a roving microphone. If you're online, please submit your questions now. If you're on the phone, press star one on your keypad. So we'll now move to questions on the Financial Report. Could I take the first question please?

(Microphone Attendant): Mr Chairman, I would like to introduce to you Mr Michael Sanderson.

Michael Sanderson (Shareholder): Good day, Board. APRA's increased the minimum capital requirements and introduced a brand new capital buffer last Tuesday. The media's been silent. They need to do some critical looking, I think. This is almost double the CET1 requirement. It's gone from 4.5% to 8%. Is this an indication that APRA believes that banks lack self-discipline? How will this impact Westpac?

John McFarlane: Well. thank you, and good to see you again. Thank you very much for your question.

Michael Sanderson (Shareholder): Good to see you too, John.

John McFarlane: Yes, thank you. Look, I've been in banking for 48 years and I've been in Australia since 1997. I remember the days when we operated on 4.25% capital and we're now operating on 11.5% or thereabouts, which obviously has lowered the return of the banks, but strengthened their underlying basic. These numbers are broadly in line with global numbers. There's nothing specific really about Australia, and therefore all the banks are required to conform to these measures. I will say, though, if you take the total capital of the four major Australian banks, they are the strongest banks in the world by a long way. So while the regulators are making us very safe here, they're also making it harder for us to produce returns, but nevertheless that's what we need to deal with.

So we've got a strong capital [reserve] in excess of our requirements. In general we'll use that for dividends because we've got plenty of franking credits and we'll use it for buybacks where we have excess credit. We don't really want to operate excess capital, because it lowers the return and lowers our share price. So you make a great point here, but we are going to try and find a way of being lean and agile in this area without being in excess. Thank you.

Michael Sanderson (Shareholder): Why do you think APRA's introduced this capital buffer? This is new, it's not…

John McFarlane: Peter, do you want to have a go at that?

Peter King: Thanks, Mr Sanderson. So out of the GFC actually there was a lot of international regulation on capital and actually on 1 January this year, BASEL – what we call colloquially BASEL 3 - was put into Australia. As I said in my remarks, we've got a capital ratio of 12.4%, so it's well above those minimum numbers. So it's a response to the GFC that took a long time to come into regulation. They're also doing work on AT1 hybrid capital and thinking about whether that needs a trigger that's a bit higher, but that's work in progress. They've done work on quite a technical area called interest rate risk in the banking book, but we already hold capital for those.

So I think the Australian system, including Westpac, is well capitalised. It's not so much – it's not really a new requirement – it came in and was well-flagged at the start of this year.

John McFarlane: The banks have plenty of capital. I personally push back quite a lot on any move to increase the requirements in capital, because banks' confidence is about profitability and not just about capital strength, and the bank needs to be both. Next question please.

Michael Sanderson (Shareholder): Just one more clarification related to shares. CET consists of liquid forms of capital, one of which is retained earnings. Will you be retaining more earnings; therefore, the share dividend be reduced proportionally?

John McFarlane: Well, I think, as I said, it's best if we don't operate with too much excess capital over minimum requirements, so that we can maximise the dividend and the payout to shareholders. So I don't think that we would want to – unless we've got a use for it internally, going forward, it's not advisable for us to maximise our retained earnings.

Michael Sanderson (Shareholder): Okay, we'll leave it at that, thank you.

John McFarlane: Well thank you and again, good to see you again. Can I have the next question please?

(Microphone Attendant): Mr Chairman, I'd like to introduce Paul Donohue.

Paul Donohue (Australian Shareholders' Association and New Zealand Shareholders' Association, Representative): Good morning. My name is Paul Donohue, and I'm here today to represent both the Australian Shareholders' Association and the New Zealand Shareholders' Association. I'm holding just over 6 million proxy votes from more than 1,000 retail shareholders, worth approximately $133 million.

John McFarlane: Welcome.

Paul Donohue (Australian Shareholders' Association and New Zealand Shareholders' Association, Representative): Thank you. My first question relates to the recent technology outage. So on Tuesday, 4 December, Westpac experienced an eight-hour outage which impacted online access to accounts and payment processing. This was explained by the bank as a routine technology update. If the update was really routine, why did it cause such a large outage, and why did Westpac not switch over to a fall-back platform to ensure continuity of service and reduce the impact to customers?

John McFarlane: Thank you very much. That's a very good question. Can I apologise personally for that disruption, it shouldn't happen. Unfortunately these things periodically do happen in banking, but Peter will give some insight into what happened here.

Peter King: Thank you, Mr Donohue. It was a routine upgrade to customer data that is performed regularly during the year. Unfortunately, what happened was we had an issue with it. The solution was to roll back in terms of going back to the old database and it just did take us a little while longer than what we thought. So what we did was we pulled the app down, it was ATMs, EFTPOS was still available, but we know we have to do better. Like any incident like this, we will review it and review – make changes to the specifics but also look across to make sure that we pick up the learnings.

John McFarlane: Yes, it is clearly not good enough, and as we go more electronic, even more so.

Paul Donahue (Australian Shareholders' Association and New Zealand Shareholders' Association, Representative): Okay, thank you. Second question, on the topic of consumer stress. Most economists agree there's a lag between increasing interest rates and seeing an impact in the economy. Despite all the monetary tightening, consumers seem to be remarkably resilient. Do you have a view on how much delayed impact has yet to flow through to consumer behaviour?

John McFarlane: Okay. Peter would you like to have a go?

Peter King: Yes, I think – so maybe a broader answer. If we look at our different portfolios, credit cards, the amount of stress in credit cards actually reduced in the six months. So that was not an outcome I was expecting. I would have thought it would increase. Mortgages has gone up so I think that's where most of the stress is, but even the delinquency levels that we have are pretty low by historical standards. The business stress has gone up a little bit. Why is it? Because of responsible lending requirements and the buffers that we had in. So we were including higher interest rate assumptions when we lent historically – will that – it all depends on unemployment as we look forward. So if unemployment increases, it will get tougher. As I said in my opening remarks, we're prepared to help customers and we encourage them to call us early actually.

Paul Donahue (Australian Shareholders' Association and New Zealand Shareholders' Association, Representative): Okay, thank you.

John McFarlane: Can I have the next question please?

(Microphone Attendant): Mr Chairman, I would like to introduce Ms Antonia Burke.

Antonia Burke (Pirlangimpi Community, Representative): Thank you, Chair. My name is Antonia Burke and I come from a community called Pirlangimpi, or the English name is Garden Point. It's on the North Coast of the Tiwi Islands, which is just above Darwin. There are about 350 people that live in our community. About 85% are traditional owners who have been there forever. I grew up there with my family. On the Tiwi Islands there's about 2,500 people spread across three communities and outstations. So we've travelled down here today to meet with you and have a conversation with you. Thank you for allowing us to be here.

In April this year, Tiwi people filed a Human Rights Complaint to Westpac, using your grievance mechanism, over its involvement in financing Santos's Barossa Gas Project. Westpac dismissed Tiwi people's Human Rights Complaint. Westpac refused an invitation to talk about the Human Rights Complaint with us on Tiwi country or even to engage with us directly. Westpac said that direct engagement with Santos is a more appropriate and effective course than continued direct engagement with Tiwi people. In your Reconciliation Action Plan, Westpac acknowledges the importance of free, prior and informed consent in supporting self-determination for Indigenous peoples. Westpac even identifies it as the most salient human rights issues to focus on. Thank you for putting it in there.

Westpac even says, as a bank and a lender in Australia, we have an important role to play in supporting self-determination. Free, prior and informed consent has been recognised as an important principle for supporting self-determination for Aboriginal and Torres Strait Islander peoples. Again, thank you for putting that in there. But, despite claiming to be committed to self-determination and FPIC, Westpac is refusing to even meet with Tiwi people, the people who have been directly impacted and will be continuously impacted by the project that it's financing. It seems like Westpac's Reconciliation Action Plan is little more than corporate window-dressing.

Given that your peers at the Commonwealth Bank are engaging with us directly about our Human Rights Complaint, which we also lodged with them, at the highest level, and on an ongoing basis, will you commit to a dialog with us on the Tiwi Islands and actually connect to where your money's going.

John McFarlane: Well, I can give you a quick and easy answer to that. So Anthony, could you stand up? Anthony runs the business connected to this, and he will meet with you here, just after the meeting.

Antonia Burke (Pirlangimpi Community, Representative): What's Anthony's role, sorry?

John McFarlane: He is one of the senior people running the Group's businesses and he runs – he ran Institutional Banking and now runs Business Banking and Wealth. So he's the right person here to talk to you because he has control over lending in areas, particularly in mining fossil fuel.

Antonia Burke (Pirlangimpi Community, Representative): Is there a reason though that we haven't met up until now? Why did we have to come here to talk to you about a project that you're financing on the Tiwi Islands which is impacting our home? Why did we have to come here to meet Anthony? Why didn't you come to us?

John McFarlane: Well, can I first say, look you've come a long way, and I really appreciate that you've done that, and I'm sorry you had to come all this way. I wasn't aware of it personally, okay, but I'm aware of it now and we'll deal with it now, and we will meet with you. But, in general, we won't talk specially about individual customers because we can't do for privacy reasons. But, in general, you know that we are bringing down our fossil fuel exposures quite significantly, but we've got Anthony here, he is the right person. He's also responsible for all our renewable programs in the Group, including fossil fuel reduction. So he is the right person here and he will meet with you.

Antonia Burke (Pirlangimpi Community, Representative): Thank you very much. Will Westpac also provide assurance that the loan will be properly assessed in accordance with your governance model and FPIC, especially considering the ongoing court proceedings and the potential impact on the community?

John McFarlane: Well, I can't comment on any specific project or loan. It's not appropriate for us to do that. But I'll make some general comments. These facilities come in two ways, as either a project where we finance it directly or don't finance it directly, or we've got a general relationship with a customer that we lend to for general purposes. In the first, we do know what we're doing and we do know about the project and we can make a specific decision, and I'm not speaking particularly about this one. But where it's a general amount of money we lend to a customer that is not related to project finance, we have no control over where that money goes afterwards, but we do assess it.

Now the way we are going forward with this, is that we've committed that we will only support customers who have transition plans that are acceptable to us by the end of 2050, and if they're not acceptable to us we will not continue to finance them. Now, Peter, I don't know if there's anything else you want to add here?

Peter King: I'd just add, thank you for coming down. As the Chairman said, we really can't talk about individual customer situations, but to your question about will we apply our policies to all customers, yes, we will. We'll only be able to engage on Westpac specific issues, we can't speak about the customer issues when we speak to you.

Antonia Burke (Pirlangimpi Community, Representative): Thank you.

John McFarlane: But thank you for coming. Can I have the next question please?

(Microphone Attendant): Mr Chairman, I am now introducing Ben Gallen.

Ben Gallen: Thank you. My name is Ben Gallen from the Finance Sector Union who represent Westpac employees.

John McFarlane: Okay.

Ben Gallen (Finance Sector Union, Representative): I'd like to also acknowledge the traditional owners of the land on which we meet today and pay my respects to their Elders, past and present. Last week, a significant number of our members, your employees, had their personal data exposed when payroll information was mistakenly sent to an unrelated external superannuation fund. So not their default or nominated fund. This has caused enormous distress to impacted employees. They've lost confidence that their personal data is secure. We understand that measures have been taken to correct this data exposure, and Westpac has reported human error as the cause. However, our members are concerned that this type of error exposes a larger risk.

Members are feeling the impact of the well over 1,000 staff positions lost over the past 12 months and the systemic cost-cutting and simplification of functions and roles within these impacted areas of the business. We're hearing countless reports of ever-increasing workloads and a new culture emerging at Westpac, where excessive and unrecognised hours of work, have become the norm.

So my question is this; in light of these growing and unsustainable pressures of doing more with less, what assurances can you give us that Westpac is able to manage the risk of incidents like the data breach experienced by our members last week.

John McFarlane: Well, thank you, and Peter will talk – deal with the second part of that, which is the workload et cetera. I'll deal with the first. Look, I apologised to our people for that mistake. It was an internal payroll error where some superannuation payments were directed not to their own super fund but to another super fund by mistake, and that's what happened here. Of course that resulted in that fund setting up new accounts for those employees. We contacted the super fund to stop the payments and redirect it back to employees' correct Super fund, so we did repair the damage here. We confirmed with the super fund and who incorrectly opened accounts and got them to close the accounts and required that the data only to be retained if there was any remediation required for the benefit of the individuals, but no longer to retain the data. So the data is safe.

Of course, you're absolutely correct – this shouldn't happen, it was a payroll mistake, and essentially we sent the money to the wrong super fund, and we put in new controls to make sure this doesn't happen again. Peter, do you want to deal with the other stuff?

Peter King: I think there's two – thank you Ben, and I think there's two parts to that question. One is about how we pay people and one is workloads. Just on how we pay people, we're investing significantly in a new time and labour management process, including time sheets so we can capture accurately the work that's going on. That will give us information, and I think better information to manage the business as well as appropriately pay people.

In relation to workload, that's an ongoing conversation that we have with all the teams. We encourage team leaders to have those conversations with the teams, and where we do see it, we do increase resources. So yes, we have had lower numbers this year, but there's been asset sales, where we've had people leave the Company and some productivity initiatives. But we're aware of it and we encourage our leaders to engage directly with the teams on workload.

Ben Gallen (Finance Sector Union, Representative): Thank you for that. I suppose just to sort of finalise on that, it's that assurances I suppose that our members are looking for that the changes that have occurred and the big changes that have occurred in the last year, aren't going to lead to more of those types of problems – those types of errors, those types of data breaches that we've experienced?

Peter King: Well, I wouldn't link the two. This was an individual error in terms of this payroll. It happens sometimes and we've jumped on it to get the money back and closed the accounts and engage with the company on security of data, and so that's all done. In relation to more broadly just risk management – I spoke about the CORE program in my opening remarks – we have lifted our risk management capability and we will do more in the coming year.

John McFarlane: Thank you, can I have the next question please?

(Microphone Attendant): Mr Chairman, I'd like to introduce Mr Paul Fanning.

Paul Fanning (Shareholder): Thank you very much, John and Peter; I missed the first half of your address, John, but I've sought a digital copy of your address.

John McFarlane: Thank you.

Paul Fanning (Shareholder): So what a great time you have had as Chair and been dynamic and many things have come and gone during that time. I've been to many AGMs in the past, but probably not for the last three or four years. I draw your eyes to three pages on the Annual Report, which compose of three questions. One is page 5, page 11, and page 21. Question 1: Shareholders of all shapes and sizes are concerned by credit provisions and the credit provisions obviously have been well above the expected losses. Both the CAP and also the CAP to credit RWA - risk-weighted assets - and the stress exposures. What industry sectors seem to be most impacted? How are you controlling this? Now would it be a CFO response for this, or are you going to handle this one, Peter?

John McFarlane: Okay, Peter.

Paul Fanning (Shareholder): Yes. Now do you want the other two questions now or…

Peter King: No, let's do them at one at a time.

John McFarlane: We'll do them one at a time, yes.

Peter King: If that's all right. So in terms of – where we're at in terms of the economic cycle, is we've got a loan impairment charge of 9 basis points of loans. It is – it has increased from last year, but we would expect an impairment charge, over a cycle, of 15 to 20 basis points, so it's actually quite low. That's probably been one of the striking outcomes in this result, that impairments have not been as high as what we thought. But we do focus on credit provisioning, so we did increase credit provisioning this year, in part because we've seen a little bit of stress coming through in the portfolio, in part because the forward economic forecasts are a little bit worse than they were last year, and that sees you create provisions.

At this point, actually, we feel like the portfolio's in decent shape, the credit coverage is good in terms of collective provisioning and the charge is okay. Just to give you context, the stressed exposure number there at 1.286%, 1.26%, that peaked at 3.2% in the GFC, so in a long-term historical sense, it's still pretty low.

Paul Fanning (Shareholder): Peter, just on this...

John McFarlane: Can I just - for the benefit of shareholders, you asked quite a good but a very technical question. The expected losses average across the cycle to the numbers that Peter talked about, but they range from a very low number to a very high number in difficult circumstances. This is actually quite a low period that we're in at the moment, and therefore it's surprising. In fact, this range of numbers is the lowest I've seen since '97, so it's really quite low.

Paul Fanning (Shareholder): Just before I move off this question, are there any particular nominated sectors that you are - or the bank is concerned about?

Peter King: We haven't - I think we've seen specific companies having challenges as opposed to sectors. Now, we did see construction, so you think about the property-building companies that had fixed-price contracts and then labour and materials went up, but that's been worked through and accommodated, will be an example. But when we step back and look at the big portfolio, it's been more specific to customers as opposed to sectors. We are seeing mortgage stress.

Paul Fanning (Shareholder): Interesting. Now, question 2 relates to page 11. Look, clearly, Peter and John, the business bank and WIB carried the results for FY23, but your New Zealand business seems to be suffering. What are the causes and how is the bank intending to address them?

John McFarlane: Okay, I'll start by...

Paul Fanning (Shareholder): Was it a flash in the pan just for this year or is it exchange issues or...

John McFarlane: Probably, but I'll start it and then Peter can go into more detail. Both in Australia and New Zealand, we had the equivalent of regulatory undertakings that we had to reallocate money to, which increased the amount of cost in New Zealand, investment in New Zealand, directed it away from other things. As a consequence, we've had more subdued returns in New Zealand than we would normally have. Now, fortunately that all ended in the year just gone and so hopefully now we're really expecting far better results out of New Zealand. I don't know if you want to say anything.

Peter King: Just a couple of things. New Zealand had an asset sale in the previous year that wasn't repeated, so that was a one-off and that impacted their revenue, but the biggest change there was actually in the impairment line. They were the business where the impairment charge increased year on year. So, in terms of the performance of the business, it grew its loans, it did a good job on managing margins, so we feel like it's in a good position. It's through the regulatory projects that John referred to.

We want to see a better performance out of that next year. Consumer's all about mortgages, so there is extreme competition in the mortgage market, and that has seen the margin in the consumer business come down quite a bit. We will do what we can. We've increased some of our pricing on the basic product, reduced some of the discounts in the fully featured product, but that is a very competitive market at the moment. We'll see how it goes over time.

John McFarlane: We think it's going to be all right. There was another thing. The regulator in New Zealand has increased capital requirements very aggressively, probably the highest in the world, actually. That obviously has lowered return during the period as well.

Paul Fanning (Shareholder): Okay, I was aware of that, John. Look, just for the breakout of your main divisions, in the accounts towards the back of this, in the income statements, can you please go back and perhaps give a bit of a breakout in the metrics or numbers of each of the divisions? Now, the only place where I would see that would probably be more in the analyst pack, which was given on the results day, but it doesn't seem to be making it into the annual report. I assume it's someone in the Group Secretariat that's writing the reports and then it's vetted by each of the executive. Can we perhaps get a - I was desperately trying to look for some breakout numbers on the New Zealand division, but I couldn't find them.

Peter King: Five rows in front of you is our CFO. Michael, just put your hand up. Just have a chat with Michael after the meeting.

Paul Fanning (Shareholder): Michael is the...

Peter King: CFO.

Paul Fanning (Shareholder): CFO? He'd be a good one to talk to.

Peter King: He's always open for feedback.

John McFarlane: I'll make another point. Look how thick this is now. We don't want it to get too thick.

Paul Fanning (Shareholder): I realise, I realise. Look, John, I'm probably a bit picky and probably both of you have seen me here before. Okay, page 21. You're talking here about EPS dividends per share over one, two, three, four, five years. Look, I'm a great one for TSR, total shareholder return, and the banks' collectively, including Westpac, TSR over five to 10 years hasn't really been that crash hot. If you've been a shareholder for, say, 10 years or 15 years or 20 years, yes, okay, but the last five or 10 years, the total shareholder return has really not been very startling. I've talked to other people in the past about TSR. I think really on or around page 21, I would encourage the bank and probably encourage Michael as CFO to perhaps put some TSR metrics in there too, in addition to EPS and DPS. Any comments?

John McFarlane: Yes, I think the two points I'd make, we've had a period of negative to low or zero interest rates around the world, which is the worst possible environment for a bank. Therefore, you're absolutely correct, banking results globally actually have been subdued, and particularly in Australia. But with the rising interest rates, that's been beneficial to the bank, and therefore you've started to see that upward slope that you're seeing on that page.

I think it's fair to say, though, in order for this to really go well so that you get your TSR up, it's either to get earnings growth up or to get the return up or both. Therefore that's what we're working on, and we actually are reasonably confident that those things will happen over the medium term.

Paul Fanning (Shareholder): So, John, next year we'll see some TSR metrics appear in here?

John McFarlane: Okay, thank you. That's noted.

Peter King: We'll pick it up.

John McFarlane: We'll pick it up.

Paul Fanning (Shareholder): Sorry to be a bit picky, but...

Peter King: No, that's all right. There is some TSR...

Paul Fanning (Shareholder): Okay, thank you very much. Thank you for your time.

John McFarlane: Thank you very much. Next question, please.

(Microphone Attendant): Mr Chairman, I would like to introduce Mr Simon Munkara.

John McFarlane: Yes, thank you.

Simon Munkara (Tikilaru Clan, Representative): Good morning. My name is Simon Munkara, and I'm a traditional owner from the Tikilaru clan, which is on the west coast of Bathurst Island, on the Tiwi Islands. My question is about your commitment to human rights. Santos operation will have an impact on my country, on my family, and our way of life. We spent a lot of time writing to you, using your grievance mechanism to make a real complaint about a loan that you entered into, and based on your response to us, it's really clear that you're not interested in hearing from us and what it means to us.

You haven't done your due diligence with Tiwi people. You are responsible and obligated to find out how your decisions are going to have an impact on people. That's what the United Nations demands, and you have committed to that. The way you people have treated us is so disrespectful. You haven't tried to talk to us or meet with us, and yet you say you'll talk directly to Santos about Tiwi people. Santos is still trying to go ahead, so your talks have failed, but you don't tell us about those talks and you're hiding behind confidentiality.

You have called our requests unreasonable. What is so unreasonable about having a conversation about a loan that will contribute to the direct harm on my human rights? You say that a corporate loan to Santos doesn't contribute to harming me or my family. How did you come to that conclusion? Are you even contacted to where your money is going?

John McFarlane: Well, look, thank you again. You've come a long way, and I really appreciate it. We could probably help you here if we didn't have these privacy requirements, because we can't actually tell you anything specific. I can't even comment that we have a relationship with Santos. However, our obligation therefore is to the customer, and if the customer actually has this issue with you, really that's where it really should be addressed.

Now, you did make the point though that we haven't met you, and I've already confirmed that we will meet you. Anthony is here. He will meet you right after the meeting and you can start a dialogue from here. He's bound by these problems we've got on privacy and he can't be specific about any individual client or loan, but I also made the point more generally, where it's a project finance to a specific location, we know about that location et cetera and we know the finance is directed there and we can make a specific decision related to it.

But where the finance goes generally to a company at the centre, we don't know where that money actually goes, because it's just a general pool of funds, and it then goes into whatever areas they want to put the funds in. It's all intermingled. So that's one of the problems we have in dealing with this kind of circumstance. But that's it, but Anthony will definitely meet with you. I'm sorry we haven't met with you before, but we will do so now. Thank you for coming all this way. Can I have the next question, please?

(Microphone Attendant): Mr Chairman, I would like to introduce Mr Ron Gawthorne.

Ron Gawthorne (Shareholder): It's good to see you again, John. I appreciate the work that you've done over the last few years, and same with Peter. My concern relates to the balance sheet and the momentum and these higher margins that you're referring to. Now, I may be wrong, but the profit before tax in 2018 was $11.731 billion. The profit before tax this year is $10.305 billion. Now, that's a decrease of 13.83% in the last five years. It's not a growth. It's a decline.

But at the same time, the amount of interest-bearing loans has gone up 21.47%. In other words, we're at higher exposure. We were earning more profit for lending less money five years ago. Now, this is a concern to me because as a shareholder, we all look for better returns and it seems to me that there are three elements that are missing here that we're not addressing. There's the task of making money, there's the individuals, which are the customers and the staff, and we seem to be leaning more towards the customers and the staff and forgetting that shareholders need to see a return on their money.

If we're lending more, we should be making more. We certainly should be earning a bigger profit now if we're lending a lot more money. Something's gone wrong where we've taken our eyes off the ball. I know that you've got a difficult job dealing with Indigenous matters and meddling governments. We're in the business of making money when it's all said and done. We've got a lot of shareholders and retirees, and everybody who's working in the workforce is involved in superannuation, so we must keep our eye on the task of making money, not at the expense of the individuals or the investors or the clients, but the balance has to be there. This is what I feel we're missing at the moment. We've taken our eyes off the ball in terms of profitability.

John McFarlane: No, look, you are very correct in the numbers that you quoted, that we made slightly less money this year than we did in 2018, but there's an explanation for that. Of course, you've seen it in the past years. In 2019, we had a very significant regulatory issue, if you remember, with AUSTRAC. As a consequence - and other regulatory matters - and of course, in 2020 we had an enforceable undertaking by our prudential regulator, APRA.

Now, that required us (a) to pay an enormous penalty relating to the AUSTRAC matter, which reduced the profits, and at the same time we increased our investment spend to $2 billion per year, which is a cost increase, and therefore a profit reduction, in order to deal with the underlying risk issues associated with that. That's the explanation for the reduction in profit over these years. Fortunately - although I'm sure that it will take - whether we can get credit for it or not, it's gone up since Peter and I came, just as a matter of interest.

Ron Gawthorne (Shareholder): Much appreciated.

John McFarlane: Now, that might be pure luck, but it has gone up. In fact, we are conscious of it. The fact that we're dealing with this historical matter where we didn't integrate those acquisition technologies and processes in the past, which has caused, really, quite a cost burden on the organisation, once we deal with that, then we should actually start to see more normal times, and therefore better times, and so we are working on it now. I'm pretty confident it will happen.

Ron Gawthorne (Shareholder): Thank you.

John McFarlane: Can I have the next question, please?

(Microphone Attendant): Mr Chairman, I would like to introduce Mr Pirrawayingi.

Mr Pirrawayingi (Munupi Clan, Representative): I too want to acknowledge the traditional owners, the brothers and sisters of this land that we are on, and pay my respect to the past, present and future leaders. I too want to acknowledge that we're in your presence at the AGM meeting and we are respectful that you have invited us and the investors that are here. It's a privilege to be here. We thank you for this.

I am a senior Elder and a traditional owner of the Munupi Clan on the Tiwi Islands. Up until a few months ago, I was the mayor of the Tiwi Islands. More importantly, my responsibility lies in protecting my family, country, culture, and the surrounding sea country. Obviously, we live on an island surrounded by sea, so members of my community and my family wrote to you to make a complaint.

My question is about your loan to Santos, which you say is not connected to the Barossa Gas Project. You say it's a corporate loan and you don't know how Santos will use your money. This seems to us like a trick to avoid responsibility for contributing to this harmful project. Are you saying to us and everyone in this room that you don't know how Santos is using Westpac's money? Surely this would be considered negligent. Surely you would have to know how someone is going to spend US$25 million of your shareholders' money and if they can even pay it back.

There's another question. We've met with the CEO of the Commonwealth Bank, and we were honoured to have his presence, to meet with him directly. We would like to meet directly with Mr King for a respectful dialogue. That's the second...

John McFarlane: Okay, we'll deal with the second first.

Peter King: Sure, I'll come and join you with Anthony.

John McFarlane: On your first, we didn't confirm anything about Santos or whether this was a general loan. We're not able to do that. But I was explaining in general the problem that we have in dealing with this kind of question. We do understand the issue that you have with this, and therefore I think the best thing to do is for Peter and Anthony to sit down with you, because you've paid respect to us, so thank you for that, and we'll pay respect to you as a consequence. Thank you. Thank you. Can I have the next question, please?

(Microphone Attendant): Mr Chairman, I'd like to introduce Mr Spiro Arkouzis.

John McFarlane: Thank you.

Spiro Arkouzis (Shareholder): Good morning, Mr Chairman. Good morning, Mr King.

John McFarlane: Good morning.

Spiro Arkouzis (Shareholder): I would like to congratulate you, Mr King, on doing a great job over the last four years. I think you all have done a very good job with the constraints that we've had. Currently, we've seen the interest rates being previously at an all-time low. Now we're seeing interest rate and the cash rate increasing, and related to the financial statement where we are now, over the next 12 months, looking for forecasting ahead, what do you see as the home loan sector and the amount that potentially could be loaned out over the next 12 months, knowing that our cash rate has increased and potentially will increase more, to affect the interest rate to the home loan owner? What value do you put on that over the next 12 months as far as borrowings?

John McFarlane: Peter.

Peter King: Yes, our forecasts are for loans in aggregate across business and mortgages to grow around 4%, pretty similar in mortgages, so not stellar growth in any sense, but I think it would match effectively real GDP growth plus a little bit of inflation is what we're thinking about in the mortgage market.

Spiro Arkouzis (Shareholder): How do you see promoting that to be a leader in getting more home loans out there? How do you see promoting that so that number of 4% could go 5% or 6%?

Peter King: We will do it - as the Chairman said, one of our aspirations is to grow at system, and if we can, to take a little bit of system. But we've got to be cautious about that at the moment because it is a very competitive market in terms of that. We'll be battling in the refinance market. We'll also be battling in the new acquisition market using all our channels. We've improved our service by getting down to one mortgage origination system, which is improving our speed to yes. There's more work to do there. I don't think it's promotion that's the issue, it's speed and service and that's what we're focused on.

John McFarlane: We could get 6% without any problem if we discounted the price, and by discounting the price, we would make less margin and that would not be in your interest. So we're walking this tightrope at the moment to try and find a way of getting around system growth at decent margins and therefore pushing the margin down aggressively will hurt the return, so Peter's assessment of this is a good one.

Spiro Arkouzis (Shareholder): Thank you for that. But would you see, if there was an increase in numbers, even if there was a small marginal decrease in the profit of the interest, that your funnel would open up and you'd get more customers in - and this is relating back to customer service - and long-term for the share price to increase? So opening the funnel, being more accessible with the loans, that would drive it up over 12 months, 24 months, 36 and so on.

John McFarlane: Absolutely. Being faster to market, having the best products, having the best relationship with our clients, aside from pricing, is exactly the way to deal with that. I don't know if there's any...

Peter King: I think our two big metrics are growth and return and we want to grow and improve return. That's what gets the share price up. That's what we're after.

Spiro Arkouzis (Shareholder): Okay. My second point, in relation to bank branches nationally, as we've seen with a number of banks closing down branches, regional and other, is that something that's a program for you over the next 12 months, closing more branches? Because it is related back to my first question, getting people through the door, getting loans signed and credit cards and other products. Is that on the agenda over the next 12 months, closing any more branches?

Peter King: How we think about - the big service channels for us now are digital. 96% of our traffic is coming through digital. That's why the rating in the app, the capability in the app is critical. We've invested heavily there and we will continue to do that. In relation to physical, that depends on how customers use them.

Spiro Arkouzis (Shareholder): But there's also - Peter, there's also a lot of people that don't use digital who may be a little bit more older who still need accessibility to branches so that they can do their business of loans, credit cards, business loans, et cetera. There's no real way to monitor that. You may have the 96% through the digital area and platform, but it's not recorded on how many people have not access or don't want to use the access of the digital platform.

Peter King: Well, what we're - so the third - really, the new channel that's coming up is video, so video in your home...

Spiro Arkouzis (Shareholder): Wonderful.

Peter King: Video in your home, and you can do transactions such as home loans from your home, effectively.

Spiro Arkouzis (Shareholder): Well, that's terrific, and I'm sure...

Peter King: We've got a couple of hundred bankers that are doing that and some of the branches that have closed, the bankers have actually gone to being video bankers.

Spiro Arkouzis (Shareholder): Thank you for answering that. Lastly, on this topic, we've seen ANZ stop cash deposits in their branches. Is that something that you're also going to be advocating in the future with less cash or not to deposit cash in bank branches?

Peter King: No, we're - as I said upfront, we've got the Australia Post arrangement, we've got cash in our branches, and we've got an ATM network. We recognise a lot of people, particularly small businesses, require cash. I think that will change over time. I actually think with some of the new capabilities such as making your phone a merchant terminal, we will see businesses, small businesses, community groups, charity groups be able to move to digital as well, because you don't need another piece of hardware, it's just your phone and you download an app and you can exchange money. I think that's the long-term trend in my mind. It will continue to go digital, but cash will always have a role in Australia.

John McFarlane: I mean, but look, you do raise an important point though. I mean, look, I'm 76. Certainly, there's a principle here. We should deal with our clients the way they want to deal with us, not the way we want to deal with them. That's really important. The problem we get, of course, is that people are just not using the branches. Therefore, we're trying to find that balance here by sticking to the principle, but also rewarding shareholders with lower costs. That's the issue we're trying to manage. It's quite difficult.

Spiro Arkouzis (Shareholder): Mr McFarlane, thank you for that. The point is that still having accessibility by phone to make appointments, that's one - I think that all in all, if there's that customer-centric - like how you've just said - that the customers - to deal the way the customers want, not the way the bank wants, then you've won the business if that's the way that you operate.

John McFarlane: Certainly, that's the principle.

Spiro Arkouzis (Shareholder): Well, thank you very much to both of you and thank you to the Board. Thank you.

John McFarlane: Thank you. Can I have the next question, please?

(Microphone Attendant): Mr Chairman, I would like now to introduce Mr Craig Caulfield.

Craig Caulfield (Shareholder): Thank you. Good morning, Mr McFarlane.

John McFarlane: Hello again.

Craig Caulfield (Shareholder): Thank you for your service, and all the best in your retirement.

John McFarlane: Thank you.

Craig Caulfield (Shareholder): Can I also thank the Board of Westpac? Because I've attended for several years and one thing you always do is meet the shareholders, the small shareholders, at the end of the AGM. That's something we appreciate, where we can ask some other questions that mightn't come live.

John McFarlane: Certainly.

Craig Caulfield (Shareholder): Commissioner Hayne exposed some tragic farm repossessions at the Royal Commission. One example on display was testimony from Tasmania farmers Michael and Dimity Hirst. Michael said with some emotion, ANZ never showed any compassion. Commissioner Hayne, nearly five years ago now, specifically recommended nationally consistent farm debt mediation scheme, replacing the inconsistent schemes we have across states.

Every major and second tier bank has agreed to a national farm debt mediation scheme. Treasurer Jim Chalmers announced all recommendations from the Royal Commission are now complete. That's not true. Westpac says on page 14 your strategy is to advocate for positive change and speak up for what's right. Two questions, please. First, is Adele Ferguson correct when she quoted in *The Age* on 6 February 2019, “maybe we're just supposed to wait?” Secondly, will Westpac robustly advocate for a nationally consistent farm debt mediation scheme to support our farmers and implement this before the next AGM? Thank you.

John McFarlane: Thank you. Peter?

Peter King: Yes, I don't know the Adele Ferguson one, so I can't really comment on that, sorry. In relation to farm debt management, as you say, part of our strategy is we will advocate. I can have a look at that. It's not an area I've actually had a look at for a little while in terms of a nationally consistent approach. But it really needs a government-led approach to get it national, because it's got to be across states and federal. I don't think we can implement it ourselves, but certainly I can enquire and speak to the people that we know will make those decisions.

John McFarlane: I've just seen Anthony making notes on that, so thank you.

Craig Caulfield (Shareholder): Okay, thank you. You could still use your persuasive influence through the Australian Bankers Association. I’ve raised this at other AGMs. The Commonwealth Bank, Matt Comyn, said, absolutely, we’re happy to have national farm debt mediation and quote him on it. Bendigo Bank has said the same. Every bank has said it, and I can find quotes over five years. It’s like there is no incentive, so it’s not on your radar. It’s not so important.

But we’ve got increasing interest rates, our rural sector is very important, so it’s looking ahead for another year or two years, and there will be disputes over bank loans with farmers, and we need to have that protection in place that’s been promised. All the bankers have promised. You’ve promised it, yes. Commissioner Hayne promised it, yes. The Australian Bankers Association promised it, yes. But there’s no traction, so I’m seeking to give you a little nudge.

John McFarlane: Yes.

Peter King: I can sense that.

John McFarlane: It’s a pity you didn’t nudge us last week, because the Chairman of the Australian Bankers Association was Peter, but he’s no longer the Chairman, but he’s still a member, and so he can talk to the Chairman who’s now National Australia Bank and advance that issue. He’s taking note.

Craig Caulfield (Shareholder): Yes, you're probably wanting to nudge NAB in a few different ways.

Peter King: That's for you.

Craig Caulfield (Shareholder) Thank you.

John McFarlane: Thank you. Good to see you. Next question.

(Microphone Attendant): Mr Chairman, I would like to introduce Ms Moeroa Caulfield.

Moeroa Caulfield (Shareholder): Good morning, Mr McFarlane, board members and fellow shareholders. I'm really concerned about how Australians are getting scammed of their money so easily. It's happened to some of my friends and I'm sure to shareholders in this room. I was recently in a queue at a bank and both the person ahead of me and behind me were expressing how money had been taken out of their accounts illegally.

In October at the Commonwealth Bank AGM, I asked a question about how Commonwealth Bank are protecting customers from being scammed. The CEO, Matt Comyn, said they have developed software technology called NameCheck. This technology of matching account names to account numbers has substantially reduced Commonwealth Bank customers from being scammed. Mr Comyn said Commonwealth Bank had made this software technology available to all banks in Australia. My question is, did Westpac introduce this NameCheck technology to protect their customers back in October? Thank you.

John McFarlane: Thank you. I'm going to pass that to Peter, and I might ask the Chairman of the Risk Committee, because you've heard from us for quite a bit, to see if there was another comment once Peter makes his comment. But one of the problems about the online banking in Australia is sometimes it doesn't have that name check. In other places, you get that name check, which is actually quite useful.

Peter King: Maybe I'll just come back to the specific question but just talk a little bit about scams. There's really the big four in scams, investment scams, business email compromise, remote access to your computer, and romance scams. They're the ones where people lose a significant amount of money, with investments dominating. They are, you get an offer to invest on a social media platform, it turns out it's a scam. So, to me, this has got to be an ecosystem approach.

We need people to be - less trusting is probably the best way to describe it. Question things. If the return's too good, it probably is. We need to see more from social media platforms to take this down. Telcos are being used in a way to send messages, and the banks have got a big role in doing what we can to stop it as well. We think about it in that way. We stopped last year - we prevented scams for $235 million, so people had proposed basically to move money, and we stopped it. We're about 66% of stopping it, so not where we need it to be. We've got a full-court press on what we can do there.

Coming back to your specific on NameCheck, we have a capability called Westpac Verify, and broadly how that works, if you're paying to someone that we don't recognise based on historical payments, we'll send you a text and say, check it, and we hold the payment for four hours. We've had that live - I don't know the exact date - for the majority of this year. The ABA has just agreed to having a more consistent approach across major banks, customer-owned banks, regional banks through the MPP, so that's work in progress.

We're working on exposing some of our algorithms and thinking when you make a payment. Did you get this in WhatsApp? Are you trying to - caravans are a big scam at the moment, so are you buying a caravan? Have you seen it? Those type of questions we're looking to push into the payment process next year. So payments will take a little bit longer, but we think it's the right balance to have a little bit of friction in the system to do that. So we do have an equivalent of the CBA capability called Westpac Verify.

John McFarlane: Yes, and this is a major societal problem. Audette, do you have any general comments on...

Audette Exel: That's interesting because...

Peter King: You're on now.

Audette Exel: Can you hear me, Ms Caulfield?

Moeroa Caulfield (Shareholder): Yes.

Audette Exel: It's you that I need to address my answer to. Thank you so much for your important question. I think Peter has given you a very detailed response, but as Chair of the Risk Committee, I will give you a couple of comments. First of all, thank you for raising an issue that is so important to our customers, and as we think about managing risk, both financial and non-financial, our customers sit at the heart of that, and we are aware that scams are increasing and that technological risk and other forms of cyber risk are also increasing.

These matters are really at the heart of what we do. Customers are our number 1 pillar in terms of the way we think. I can assure you that these issues receive a very great amount of focus from both the Risk Committee and the Board. Thank you for raising it.

Moeroa Caulfield (Shareholder): Does that mean you have invested a certain amount of money for scamming?

Peter King: I don't know off the top of my head, but it'd be in the tens of millions of dollars we're investing.

Moeroa Caulfield (Shareholder): Tens of millions, yes.

Peter King: One of the things I forgot to say, actually, was we're blocking transfers to digital currency exchanges. That's one of the big ways that investment scams are getting out of the country.

John McFarlane: There are two parts to this. Well, there's the scammer, there's the customer, and there's the bank. It's interesting. I've been involved with financial literacy in Australia for quite a long time, and the levels of financial literacy are not adequate here. There are people, if they're offered a very high return at a zero risk, they will take it. Now, that doesn't exist, for example. In fact, you won't believe this, but there are clients that we've had who we've found it to be a scam, we've told the client it's a scam, don't make the payment, and they make the payment and lose the money.

So that actually is happening here, and therefore I do think we would benefit from more awareness by the community in terms of, if the bank warns you against doing it, you should actually take notice. I mean, my personal view is we shouldn't make that payment on behalf of the client, even though we're instructed to do so, because we know it's a scam. Therefore, that's the only way to avoid. But the problem is the client will go somewhere else and make the payment, and that's the big issue for us.

Moeroa Caulfield (Shareholder): Yes, thank you very much for your thorough answer.

John McFarlane: Thank you. Question, please.

(Microphone Attendant): Mr Chairman, I would like to introduce you to Mr Michael Sanderson.

John McFarlane: Yes.

Michael Sanderson (Shareholder): First one up with the second question. A couple of comments. On scam, I think you need to change the language. You know, there are scams and there are digital scams. The digital scams can go cross-jurisdictional. They are different. They are a monster. You're comparing a Lambretta with a road train. I think any transaction of a digital nature that goes outside the jurisdiction, there should be a great firewall.

The other word is privacy. Started off as a shield, now used as a weapon or a form of cover. Again, misuse of the technology or the definition. Anyway, it's just a couple of comments. I've just got - Mr Matt Comyn would like to make a quick comment.

[Audio begins]

Matt Comyn (Commonwealth Bank, CEO): The role of banks clearly is to take deposits and to lend funds. We also do create deposits in the system. We expand the money supply when we lend money.

[Audio Ends]

Michael Sanderson (Shareholder): There you go. First time you've had another CEO address you.

John McFarlane: Very high tech.

Michael Sanderson (Shareholder): Just for those - yes, yes. It's amazing what digital can do when used properly. Just for those who didn't know, Mr Comyn stated, we also do create deposits in the system. We expand money supply when we lend money. All banks do it. I gave a hypothetical last night and Mr King was able to say that's a hypothetical. Where does Westpac represent - is the microphone on?

John McFarlane: Yep.

Michael Sanderson (Shareholder): Where does Westpac represent these created deposits in their annual report and what are they called?

John McFarlane: I'm not sure I understand the question.

Peter King: They're part of deposits. They're part of wholesale funding. They're part of equity. They're not a specific piece. I know you've raised this question before last year. The role of money supply in the country is really through what the RBA does with interest rates, through the capital requirements of the banks, through the lending policies that we have. All that goes into money supply. They're not anywhere in particular in the balance sheet. It's part of the fact that we're an intermediary in the economy.

Michael Sanderson (Shareholder): Okay. Isn't that misleading to call something that banks create from nothing a deposit? Wouldn't it be more informative and honest if they appeared in the balance sheet under a heading, say, pseudo liabilities?

John McFarlane: Maybe you should call Mr Comyn. I've got his mobile number.

Michael Sanderson (Shareholder): I've spoken to Matt - with a line labelled unicorn deposits or Claytons deposits.

Peter King: I think a deposit - when we take a deposit, we owe someone, and that's how we think about deposits.

Michael Sanderson (Shareholder): Okay. A related question. The fundamental purpose of the RBA overnight cash rate is to set the interest rate that banks pay each other on other banks' funds that they hold. The RBA cash rate is not just an expense, it's an income also. In other words, when you're holding somebody else's money, you've got to pay them a few quid. That's old, isn't it? Gee. And vice versa.

John McFarlane: It's not technically correct what you say, but it's a surrogate for it, but Peter will explain it.

Peter King: The first point in the curve for interest rates is the RBA cash rate, and it's also used broadly in the exchange settlement account with the Reserve Bank, where you've got funds you need to deposit with them. It creates the starting point for the interest rate curve in the economy.

John McFarlane: But the rate between banks is the interbank rate.

Michael Sanderson (Shareholder): The interbank rate, which is the cash rate.

John McFarlane: No, it's not necessarily...

Peter King: It's different.

Michael Sanderson (Shareholder): Okay. My ignorance. As I said, I'm just a simple [*unclear*].

John McFarlane: …Libor or whatever.

Michael Sanderson (Shareholder): Can Westpac explain the linkage and how the RBA cash rate impacts on these Clayton's deposits that it creates in order to balance its balance sheet? I personally - it's quite simplistic. You create something to balance the balance sheet because you've expanded money supply. What is the linkage between the RBA cash rate and that pseudo deposit?

John McFarlane: Now, this is deja vu, because we had this conversation last year.

Michael Sanderson (Shareholder): I know, [*unclear*].

John McFarlane: I think it might be best if we just took it offline.

Michael Sanderson (Shareholder): No, I'd like it online, because everyone in Australia needs to know this, everyone that's got a mortgage out there that...

John McFarlane: All right. Peter will help you here.

Peter King: I don't accept the characterisation you're giving of deposits. That's yours. I don't accept that. In relation to the rate of - the rate we pay for deposits, it's on our website. All deposits are equal, depends on the product, and we pay them that interest rate.

Michael Sanderson (Shareholder): Even the pseudo deposits that you create to balance the loan.

Peter King: I don't accept that characterisation.

Michael Sanderson (Shareholder): You're saying what Matt says, we do create deposits in the system, we create - we expand money supply, is fundamentally wrong?

Peter King: I'm not going to comment on Matt, as I didn't last year.

Michael Sanderson (Shareholder): It's not hypothetical. It's...

Peter King: I don't understand where we're going with this line of thinking. I just don't understand...

Michael Sanderson (Shareholder): Where are we going? Where are we going? I'll put it quite simply. There is no linkage. Every time interest rates goes up, so does bank profit.

John McFarlane: But a deposit is an amount of money a customer gives us, specifically. We then give - we will then use that money however we want, or we'll lend it or whatever. But there is a specific amount of money comes to us, and then it will leave us for some purpose, whether it's expenses or it's a loan or it's an investment or whatever. But on both sides of the balance sheet, they're equal. We get the deposit, we get the loan.

Michael Sanderson (Shareholder): With respect, John, you're conflating the depositors' deposits with the deposits that are created. I'm specifically talking about the deposits that are created by the bank that we know appear in the deposit column that don't represent offshore borrowing, don't represent depositors' deposits. They are a creation of the bank that enables it to balance its balance sheet.

John McFarlane: That's not clear.

Peter King: Well, we don't accept that.

John McFarlane: I don't accept that either. I've been doing this for 48 years.

Michael Sanderson (Shareholder): Well, okay. I have a couple of other questions, but I'll let other people go on a different subject.

John McFarlane: Next question, please.

(Microphone Attendant): Mr Chairman, I would like to introduce Mr Neil Davis.

Neil Davis (Shareholder): Thank you. You have a very difficult job, of course, because a lot of what you've been talking about today also depends on hope and it depends on luck, because some of the things that you have to deal with now are very complicated with scams and with artificial intelligence, those sorts of things, the replacement of heads on people so that they can sell something and people think it's real. You've got a big job.

But when you write a report, sometimes you put things in it that are a bit woolly. I would like to address one of those in Mr King's report, his letter, page 8 – "We still have a higher cost bank relative to other - our peers." Then you go on to say that we have to address that and reverse it. My questions are, I'd like to know in dollars and cents how much it costs Westpac, in cents, to earn one dollar. I'd also like to know what you know about the other peers and how we are relative to them.

Because long ago, a CEO for St George Bank made the point that he was going to reduce that amount of cost and improve the bank, and I'm looking forward to that because in - sorry, in 2015, in March, this bank had a huge spike. The share price was $39. Then, of course, COVID hit us and we ended up with a bank price of around $15, low price. The current price is about $22. To put it bluntly, the bank's been wallowing along a fair bit. You agree?

John McFarlane: Well, you made two points. On the first question that you asked, it's in the high 40s of cents at the moment, and our aim is to get that to the low 40s of cents for $1 going forward. That's the specific answer to your first question. Now, it is fair to say that we've had better times in Australia and for the bank. All we can do is take the position we inherit and try and make it better, which is what we've been trying to do. We actually have made it better. We think it can be better than this and we're investing to make it even better going forward. I won't be here, but I'm reasonably confident that that will happen. I don't know, Peter, if you wanted to say anything.

Peter King: You know, we're third in the cost to income ratio, 49.4%, and the best is 44%. It's about 5 percentage points.

John McFarlane: We need that to come down. Low 40s is about to go. Maybe if it becomes more digital, more electronic over time, that number could be even lower.

Neil Davis (Shareholder): Well, I'm certainly hoping so, and I'm sure everybody here is hoping for that too.

John McFarlane: Yes. Thank you.

Neil Davis (Shareholder): Thank you.

John McFarlane: Next question, please.

(Microphone Attendant): Mr Chairman, I would like to introduce you to Mr Justin Goodfellow.

Justin Goodfellow (Shareholder): Hello there. The gentleman over here talked about bank closures, and your answers were - my question was mostly answered, but it might serve as a case study, what I wanted to talk to you about. I've come up from Surfers Paradise for the day, and all the talk in Surfers is about the closure of the branch there. The lights are on at night, but everything's all closed up. I got into some discussions with some elderly friends down there. One of them's got a few mobility issues, and he used to be able to go down the escalator and across the street. Now he's got a fairly arduous tram ride and a long walk to a branch.

The discussion got heated, and I told him that's why I was a shareholder and not a customer, whereas he's a customer and not a shareholder. I also suggested to him that banks offering bank services is a bit of an archaic idea, and he shot back that there's been a branch in Surfers for the 50 years that he can remember, including when it was Bank of Southern State.

I was interested in the causation side of it. Do customers stop using banks, going into banks, because banks are just not providing the services anymore in branches, or the other way around? The chicken and egg side of it is interesting in a causation way for me as a shareholder. Also, I understand that costs are cut when a branch is closed, but then those costs seem to be used up in fighting cybercrime and scams. I'm interested in whether it turns out to be a zero-sum game and the branches would be better off remaining open.

Anyway, the causation side of it I'm interested in too. I think there's an interesting study in that and whether services being cut stops customers going in or the other way around. I wanted to ask, am I right - was I right in telling him that banks providing bank services is an old-fashioned idea, or is he right in that a Westpac should continue to have a branch in the tourist capital of the country?

John McFarlane: Well, that's a good question, but I repeat the principle. Customers should be able to deal with us any way they want, not the way we want. Of course, that is dislocated when you get that circumstance. So, Peter, over to you.

Peter King: Well, I think on the question of causation, we look at how much a branch is being used, and we look at alternate services around it, and we do rely on Australia Post, who can do broadly 90% of what is being done in a branch at the moment, so the activity in the branch. That's how we look at the footprint. I would encourage you not to think about branches and cyber because we're 96% transactions online. The cyber investment will happen no matter how many branches we have because that's just where we're going. But that's how we think about it.

We're increasingly going to become a digital economy, not just banking. I think banking was at the forefront, if you go back five years ago. Now government services are going digital. Every corporate I talk to is going digital. Small businesses will be digital. In an AI world, I think scale and data will play a critical role. We've got to match that. So we've got to think about alternatives for service, and that's the video banking that I spoke about. Obviously, you can't get cash out of video banking, but there are other ways to do that.

John McFarlane: I've got an instinct about this. I think people will use the most convenient way of dealing with a bank. Certainly for my purposes, I find online on the iPad or the iPhone or on the computer by far the most convenient way of dealing with a bank other than getting cash, and it works really well. So I do think convenience is a big, big factor in how people think about banks. Can I have the next question, thanks?

(Microphone Attendant): Mr Chairman, I would like to introduce Mr George Baumber.

George Baumber (Shareholder): Mr Chairman, thank you for your time today. I had two questions. One was the advisability of political donations using shareholders' funds, particularly to The Voice. Obviously, some of the shareholders would say yes, some would say no, but using the shareholders' money to support one side of it I thought was a very unwise decision.

John McFarlane: Yes, okay, thank you. That's a good question. Peter, do you want to start?

Peter King: Yes, I think, as I said in my opening remarks, we have a long-held position here on reconciliation. It started in 2010. We supported the Uluru Statement from the Heart in 2019. We see it more as a social issue about reconciliation and bringing up the experience of Indigenous Australia and also acknowledge that not everyone has the same view there. We did think very hard about it. It was a management recommendation to the Board. It didn't get up, and we respect that, but we feel like this is an area that we've had a long-held position in, we do do a lot of work in it, and we thought it was a modest donation for a position we've held for a long time.

John McFarlane: It wasn't political. It was societal. It's interesting, when I joined banking, the mission was purely about rewarding shareholders, but as time's going on, society - governments have been advocating this, and companies have been embracing contribution to society, including the rewarding shareholders. It's interesting, there's a lot of evidence that says that a company that is actually admired by society and rewards society in general is the most attractive place to work, recruits the most talent, and actually produces the highest returns. So actually, there is evidence to support societal giving by banks and other companies in favour of shareholder returns and that's developed over quite a long period of time, but that's the state of play today.

George Baumber (Shareholder): Yes, there's been more rewards to the directors than there is to the shareholders. But the second question was, the ANZ Bank are looking at taking over Suncorp. Does Westpac have any thoughts that they might take over somebody like Bendigo Bank or Bank of Queensland to expand their facilities?

John McFarlane: Well, I've got a few minutes left to answer that question because I won't be here after that. But, no, I will say this. The answer is that, in general, the way banking is going for consumers is online and digital, not more branches and people. In general, that will be an important factor in the bank thinking about this going forward.

Peter King: I think we - no, we don't have any plans today, but if you look at - we will learn a lot about how the regulators think about bank mergers, and I think that will guide the future for industry consolidation going forward. We'll have to, I think, wait 'til February to see how the regulators are thinking about this area.

John McFarlane: My advice to my successor and to Peter for that to happen is integrate it straight away and don't leave it for several years before you do it.

George Baumber (Shareholder): Thank you, Mr Chairman.

John McFarlane: Thank you. Next question, thanks.

(Microphone Attendant): Mr Chairman, I would like to introduce Mr Trevor Gibb.

Trevor Gibb (Shareholder): Thanks, Chairman. Just a situation there. Thank you to Westpac for the helicopter service. I've been associated with Surf Life Saving since 1966 through the years. Just a question there in regards to the finance for it. Is there any thoughts of expanding it further? I'm talking about the mid-west coast of Western Australia.

Peter King: I don't - that would depend on what Surf Life Saving wants to do. I'm not aware that we're in discussions. We've been proud to celebrate the 50 years this year. But if Surf Life Saving came to us, that's something we will consider.

John McFarlane: That's a good example of us making a good contribution to society.

Trevor Gibb (Shareholder): We certainly appreciate it, because the number of rescues and that have been steadily increasing over the years within the flags and outside the flags, so thank you to Westpac.

John McFarlane: Well, thank you very much.

Peter King: Thank you for what you do as being a surf life saver.

John McFarlane: Absolutely.

Trevor Gibb (Shareholder): It’s a pleasure.

(Microphone Attendant): Mr Chairman, I would like to introduce Mr Paul Donohue.

Paul Donohue (Australian Shareholders’ Association and New Zealand Shareholders’ Association, Representative): I’ve got two questions. The first one’s on risk culture. You mentioned that issue with the regulators back in 2019. I saw in the Annual Report there’s a program now where 34,000 positive risk behaviours have been recognised, which is encouraging, but digging a little deeper into probably more significant examples of positive or negative behaviour, those that actually resulted in remuneration adjustments, the report says that 313 employees received increased remuneration for exceptional risk outcomes, which is good, but 299 received negative remuneration adjustments for falling short of risk compliance or conduct expectations.

So it’s close enough to 50/50 good versus bad behaviour. If Westpac’s risk culture is improving, shouldn’t we see more examples of positive behaviour that are worthy of some sort of remuneration recognition?

John McFarlane: I’ll take your questions about risk rather than remuneration. The Chairman of the Risk Committee’s been very, very busy these days, so I think she’ll deal with that.

Audette Exel: Thank you Chair, thank you Mr Donohue. I definitely echo your hope that we are going to be seeing more rewards for great risk behaviour. I think it’s a really important part of the risk framework that we are rewarding great behaviour as well as understanding when something goes wrong and calling that out. So as part of this enormous program that we’ve been running in the last three years, which you’ve heard about, the Customer Outcomes Risk Excellence Program, looking at the culture is right at the heart of what we're doing.

We know that risk culture is at the heart of great culture in a bank, so our focus very much is exactly in the direction you're talking about, which is ensuring that all our teams, our amazing teams around Australia and New Zealand, have the tools that they need and the support that they need to ensure that we manage risk in an incredibly good way. So we should see plenty more rewards coming forward as the program has worked its way through.

Paul Donohue (Australian Shareholders' Association and New Zealand Shareholders' Association, Representative): Okay. Look forward to that. Second question is on technology skills in the Board. You publish a board skills matrix and it shows that only two Directors have deep experience with technology. Given Westpac's stated ambition of simplifying your complex technology landscape, would it not be sensible to seek out Directors with more experience in this area? I note that none of the three Directors up for election today appear to have deep technology skills.

John McFarlane: Okay. Finding the right balance on the Board is always important here and therefore when you are trying to recruit Non-Executive Directors you've got an eye on the current situation and where the priorities are. With my retirement and with Mike Hawker's retirement this year, we're losing quite a bit of banking capability and therefore, as a priority, it was very important that we filled that in and we've recruited two people with very strong banking credentials to fill that specific slot.

It is true though, we do have strong banking credentials on the Board anyway and we do have strong technological factors on the Board also at the moment, but the Board has noted that and actually has made it a priority for us going forward to address that. We do have capability on the Board, and of course we do have capability in the bankers on banking technology, so it's not as if we're just bankers; we actually do have some technology capability, but we've noted that and that is a priority for us going forward.

Paul Donohue (Australian Shareholders' Association and New Zealand Shareholders' Association, Representative): Thank you.

John McFarlane: Okay. Next question please.

(Microphone Attendant): Mr Chairman, I would like to introduce Ms Rita Mazalevskis.

Rita Mazalevskis (Shareholder): Good morning, Board. Nice to see you.

John McFarlane: Nice to see you again, Rita.

Rita Mazalevskis (Corporate Representative): Technology and scams and cyber seems to be flavour of the day. On page 47 of the Annual Report, under Cyber Risk, it says, the risk that the Group or its third parties' data or technology are inappropriately accessed, manipulated or damaged from cyber security threats and vulnerabilities and through the bank's risk appetite and mitigation says, we proactively manage our cyber risk exposure to limit the likelihood of inappropriate access, manipulation or damage to our third parties' data and technology.

Then on page 27, under Protecting Customers and Preventing Crime, it states that since 2015 we have continuously invested in our people, processes and technology to keep customers safe and that our specialist teams monitor for suspicious activity around the clock and that amongst other things work closely with law enforcement to identify and report criminal activity. It also says, no systems are infallible and are susceptible to human error and third-party risks and threat activity is constantly evolving.

Would you be able to tell us what percentage of the bank's business is undertaken through third parties and how does the bank manage cyber risk exposure of any third parties to safeguard customers' data? Isn't it true the bank can't protect customers' data 100%, which is accessed unauthorised and can be abused through third parties and their systems?

John McFarlane: Thank you, Rita and thank you for reading the whole report.

Rita Mazalevskis (Corporate Representative): That's all right. I've got more.

John McFarlane: Thank you. Peter will help with that.

Peter King: I think it's right. You can never design a system that is 100% foolproof, particularly with the challenge we have in cyber, and that's not just Westpac, that is business, and so we're in the business of managing risk. I don't have the percentage of reliant suppliers but if I give you some examples. We will rely on software providers, we will rely on legal firms, we use processing firms to do parts of our business as well as other IT.

John McFarlane: Mortgage brokers.

Peter King: Yes, mortgage brokers. We see supplier risk in resilience and data and cyber protection as something we need to manage. The banking regulator's just put out a new standard asking that we – or demanding that we look at it as an industry. We're well in front of that piece of work, so we will assess suppliers. We will go in and apply our tests in bringing a supplier into the Group. We will test them about how they're going. That will be lifted for the industry through this new CPS 230 because there will be a requirement on the industry to look at key supply chain pieces. The reason it's here in the risk factors, it is a risk. Supplier is a big part of it and we assess it pretty deeply.

John McFarlane: But we're not highlighting it as one of the most important risks at this point in time.

Rita Mazalevskis (Corporate Representative): So does that mean that your systems are not linked with the third-party providers? You just do random tests?

Peter King: No, we will go in and look at their – assess their capability to manage data, keep it private. We will encrypt data when we're moving it between organisations. There's steps that go into it.

Rita Mazalevskis (Corporate Representative): Okay. Just on top of that, does the bank report any of these data breaches of customers' personal information through the General Data Protection Regulator in the EU, which would include examples of identity theft and fraud?

Peter King: In our sustainability data sheet we've got our reporting to the Australian OIAC, so that's what we report in the data sheet. The GDPR, no, I don't think we report it. Not because we don't want to but the Australian regulator is where we report to.

Rita Mazalevskis (Corporate Representative): Okay, alright thank you.

John McFarlane: Thank you. A question please.

(Microphone Attendant): Mr Chairperson, I would like to introduce Mr Rod Piljik.

Rod Piljik (Shareholder): I might mumble, because my wife says I always mumble and I mightn't be very clear, but I'm just one year younger than you, Mr McFarlane, and I'll just try to point out a little bit of my history. I'm pretty well technology savvy but I still find it difficult why the disruption to Westpac happened – took so long to recover, because when I worked in some similar industry, like in a power station, we used to upgrade one server, leave the other server alone, do all the running for a few days on one server to find any fault, and if we found any problems it didn't ever take too long to change over to the backup server.

John McFarlane: You're absolutely correct. That's how it should work.

Rod Piljik (Shareholder): So why did it take about – well over a day or more?

Peter King: Well, it took us eight hours because we had to roll back a large data base.

Rod Piljik (Shareholder): But normally you have to switch it back. Did you update both servers?

Peter King: Both were involved.

Rod Piljik (Shareholder): Yes, both were updated in other words, which is poor practice for a starter.

John McFarlane: Thank you.

Rod Piljik (Shareholder): The other thing I want to point out, in the past, hardware used to be our safeguard when it came to hacking and that. Software is like - I'm only a hobbyist shareholder but software is like a - in shareholders' language - is like a lagging indicator. You just keep fixing stuff that's been exposed to you. You're never going to be ahead of it. You'll be possibly ahead temporarily, and someone will hack into it.

The other thing I want to point out is, you're talking about – what was it? The verification thing. Scott Pape, investment writer, tried to get this introduced well over a year ago and the Banking Association was against it. That's my understanding. He pointed it out quite a few times and for some reason the Banking Association was against it.

The other think I'd like to point out, I don't – I find it difficult to find, believe, that a lot of customers want to go digital. Usually it's some form of duress is introduced, like in internet technology terminology, denial of service. You close a bank, bank branches here or there, and even though I'm a Westpac customer and I still prefer to do – I get my statements in a printed format, because I think it's safer than the digital format, because if anyone's going to open my mail, it's only going to be a local issue. It's not going to be an international issue problem.

The other thing is – this might sound old fashioned – but why do, when I get a statement, a written statement, why do I have an envelope with a window that exposes most of my details? Why do I get – why I can't get an envelope with no title, initial for Christian name, and that's about it? At least I'll have to rip open the bloody envelope to find out some detail.

John McFarlane: Thank you. Well, thank you for your observations and you had one question about the envelope…

Rod Piljik (Shareholder): Can I just – sorry. I'm only a hobbyist shareholder, but is Westpac going to reduce their fees for trading, like under $1,000? Because CBA – you only have to pay $5 for up to $1,000 trading.

John McFarlane: Okay, Peter.

Peter King: Well, we'll take that one as a comment. So Anthony will pick that up on of the trading. On the Westpac Verify, both the Australian Bankers' Association and the Customer Owned Banking Association – so the two major banking associations, have committed to checking the names. That was recent. It's in the last couple of weeks that that happened.

John McFarlane: Next question please.

Rod Piljik (Shareholder): Why has it taken so long?

Peter King: Why has it taken so long? Because we couldn't get the industry there but we have.

Rod Piljik (Shareholder): Yes, well, America did it years ago and we're just doing it now.

John McFarlane: Well, you can thank Peter for that, because he actually was the Chairman of the Association.

(Microphone Attendant): Mr Chairman, I would like to introduce Mr Spiro Arkouzis.

John McFarlane: Hi.

Spiro Arkouzis (Shareholder): Mr Chairman, thank you again. This is relating to one of your shareholders that brought up earlier, the difference in profits from 2019 to where we are now. I'd like to ask the Board, if I may, is this a reflection of when Brian Hartzer was CEO and with the AUSTRAC fine of $900 million, plus the improvement in your financial crimes program initiative and asset writeback of $70 million, the improvement in financial crimes program, $130 million, and the reimbursement to customers of wrongful charges of $260 million, which is a total of about $143 billion? Is that a reflection of the profits from 2019 to where we are now, and that's been extracted to pay all of those things back and that's why we're seeing a lower profit at where we are now?

John McFarlane: You're nearly right, but some of these issues that happened in 2019 actually took place over a very long timeframe; unreported transactions, et cetera. So it wasn't specific to an individual or an individual period. It was really accumulated over quite a time. Given that, it's taken us quite a long time really to address it, but we've broken the back of it now and this year we'll see the end of it.

Spiro Arkouzis (Shareholder): So that, potentially, will be all paid out by the end of this year?

Peter King: We've actually had around $2 billion of refunds in aggregate and we've got probably about $150 million to go, so we're a long way through that program. The only other point I'd add is the low interest rate environment really impacted the bank's margin. So if you think about the response to COVID, the cash rate was taken to 10 basis points. We hit deposit floors and our margin really contracted. That was another piece that impacted our performance in the last three to four years.

Spiro Arkouzis (Shareholder): Is there a way to sort of make that money up over the next 24, 36 months, with other bank instruments that can either be traded? I'm not sure in the back-end room whether or not you trade currency or whether you trade the property certificates or equal value back to back on the loans, to hopefully make up that shortfall over the next three, four years. Is that possible?

John McFarlane: Yes, in general we are in all of those businesses, or most of the ones you mentioned, and therefore that gives us (a) a diversification and other opportunities to make money. We're a very active trader and have got the Head of Institutional Banking sitting at the front of you there, and she runs a massive trading operation here and elsewhere across the world, Nell, just here. So we do take advantage of that, but it's not specifically to make up for the issues; it's just good business and we advance it as per normal.

Spiro Arkouzis (Shareholder): Thank you very much.

John McFarlane: Thank you. Now, okay, thank you.

(Microphone Attendant): Mr Chairman, I would like to introduce Mr Philip Beresford.

John McFarlane: Thank you.

Philip Beresford (Shareholder): Thank you, Mr Chairman, for the opportunity to ask a question. My primary question is going to be around a social governance issue, but if you could just indulge me for a second first, and I'd like to do a big thank you to the bank. My elderly mother, of 88 years, recently had to go through a move in between a home and needed some banking. She's fairly deaf, struggles a lot with the technology, but she went into the branch at Bribie Island and got the ultimate level of service. The person in there helped her through everything, they called me to work through some certain things when she couldn't understand it, and so I'm very appreciative that some of the service does still exist and is available for people, so thank you very much for that.

Now to get on to my actual question, sorry. I'm involved in a social services group that deals with domestic violence victims. A key issue that we run into is that victims need to change their banking details. One of the side effects of the security protocols that are in place is that they then text the other party to the account with the new address details. You can imagine how much that causes an issue.

John McFarlane: Yes.

Philip Beresford (Shareholder): Some of the banks are looking at ways to try and deal with this and I was just wondering has Westpac got any initiatives in place for helping people that are victims of domestic violence?

John McFarlane: Well, thanks for pointing it out. Peter?

Peter King: So yes, it's a focus area for us. It normally starts with us actually creating new accounts but we're very cautious about not sending those details to the other party. As I said before, no system's perfect so occasionally we get that wrong and we will help sort that out, but it's a big focus for us. We have a team that specialises in it and unfortunately there's more instances in society.

Philip Beresford (Shareholder): Thank you.

John McFarlane: Thank you very much. Now, I'm conscious that we've taken a lot of questions on the Annual Report and we're nearing the time where we actually have to introduce other business, but I will take a question, but I do think – could I ask if, could you ask essential questions from now on so that we can move on to the other items of business? Thank you.

Microphone Attendant: Mr Chairman, I would like to introduce Ms Rita Mazalevskis.

Rita Mazalevskis (Corporate Representative): Hello. On 12 December, the Cairns news reported that the Victoria County Court facility is privately owned, maintained and operated by the Liberty Group, a wholly owned subsidiary of Challenger Limited, and that the Liberty Group consists of ABN Amro, NM Rothschild & Sons, Multiplex Construction and Honeywell Limited. Just before I walked in here today, I was contacted and haven't had time to confirm the following, but I was informed that the Mirvac Group owns, or is an owner of the Supreme Court of WA, and that BlackRock owns, or is an owner of Mirvac. Furthermore, the Annual Report, page 304, states, the BlackRock Group has been a substantial shareholder of Westpac since April 2017.

These ownerships extend and have tentacles across the realm of property systems, for example, with Landgate, the titles office in Perth and PEXA, the electronic settlement system. So with these significant intertwined relationships, how is this not considered a horrific conflict of interest when the position of parties are not transparent or on an equal footing, and as the Attorney General's website states, no party should be in a worse position and vulnerable, innocent borrowers are ultimately forced into the court system and deemed they have no prospects of success?

John McFarlane: Okay, I think it's quite a stretch to make that assertion but I can't comment specifically on Mirvac or whoever else. I would just say to you that BlackRock is the largest investment manager in the world and actually owns stakes in nearly everybody, and I can't imagine for the life of me that's a serious conflict of interest for that institution.

Rita Mazalevskis (Corporate Representative): Yes, but if they're somehow linked into a Supreme Court system and the bank's customer's going to court with the bank, and the shareholder – and they are also a shareholder of the bank, how can it not be a conflict of interest?

John McFarlane: Because it just isn't. It's so remote that…

Peter King: Yes, they own the property. I can't imagine they have anything to do with the judicial system in Western Australia.

John McFarlane: No.

Rita Mazalevskis (Corporate Representative): Like I said, I haven't had a chance to look at it, but I definitely will and I'm more than happy to get back to you.

John McFarlane: Thanks for pointing that out. I think this is the final question, is it?

(Microphone Attendant): Mr Chairman, I'd like to introduce you to Mr Michael Sanderson.

Michael Sanderson (Shareholder): Grand finale. Coober Pedy – wasn't that a mongrel act? On 10 February Westpac gave the impression to a Senate Committee, the media and towns it was about to de-bank, that Westpac would pause regional branch closures pending the outcome of the Senate's enquiry into bank closures in regional Australia. Westpac stated – this is an email to the Committee – in response to the Committee's request, Westpac will postpone eight regional branch closures that were announced in February 2023. In this weasly worded undertaking, Westpac failed to mention that it was still proceeding with the bulk of its planned closures of further 13 Westpac and Westpac owned branches, that unless you were following the issue closely, you would not have known about.

A week after the announcement, on 17 February, Westpac de-banked Coober Pedy. This mongrel act also made the Senate Committee and the majority of the media look like a bunch of mugs. Westpac's decision to reverse the closure of the eight regional banks proves that they were viable branches all along. Will Westpac apologise to the residents of Coober Pedy and do the right thing and re-open the branch?

John McFarlane: Peter.

Peter King: I think we were very clear in our communication about what we were and weren't doing. Whenever we look at closing a branch in regional Australia, we're also looking at alternatives. So Australia Post and ATMs. So I think we were clear in our communication and we also considered alternate banking solutions in those cities when we no longer have a bank.

Michael Sanderson (Shareholder): With respect Peter, the Senate Committee reacted as if you complied with their request for a moratorium on closure of all branches. The email did not reflect that. So what you're saying is fundamentally incorrect. The media also misinterpreted differently, so how can you say that the message was clear when the Senate Committee didn't get it, the media didn't get it, nor did the general public?

Peter King: We were very clear in our communication.

Michael Sanderson (Shareholder): You weren't. On same matter – same related matter, not the same matter. The ACCC in the Suncorp ANZ determination, stated, there is an accommodative and synchronised approach between major banks which was not unexpected and is enabled by the oligopoly market. There are about another three comments in that vein, in that determination. When New Zealand established the publicly owned Kiwi Bank, it is my understanding that the big four Australian banks stopped all branch closures immediately and did so for the following six years. The big fours' synchronised approach was sacrificing a service on the sacred altar of obscene profit.

Kiwi Bank entered the market offering a profitable service where it was claimed it was unprofitable to operate. This demonstrates that regional banks are profitable and are an essential service that communities need, use and support. Would it improve Westpac's moral compass, clarify its social obligations and the Board's thought process, if a publicly owned post bank was established here in Australia?

Peter King: I think that's a matter for government. Australia Post is owned by the government, whether they want to go into financial services or not is for them. I think you've heard me talk about how we think about services and digital and physical and transition over time. We will work with communities as we transition. I don't think this is a trend, in terms of digital trend, that's going to slow down. It's going to be something that impacts financial services, corporate and government services, so we've got to help people transition into the digital world.

John McFarlane: But you're wrong in saying that these were coordinated by the major banks. That is not the case. In fact it's illegal to do so.

Michael Sanderson (Shareholder): There's a lot of things that are illegal. I go back to the letter that the four major banks wrote to the parliament, authorising the – effectively authorising the Banking Royal Commission. You talk to each other. It's in black and white, and probably a few other colours as well, but you talk. The ACCC made that quote, not me, and as I said, there was four references to oligopoly type interaction.

John McFarlane: Yes, references, opinions, not facts.

Michael Sanderson (Shareholder): Okay, well the Kiwi Bank – you all were closing them.

John McFarlane: Yes.

Michael Sanderson (Shareholder): Kiwi Bank starts up. You all stopped. As I said. I'll leave it at that. You've put up with me enough.

John McFarlane: Thank you for your comment. Also, having been in business a long time, good luck with governments running commercial enterprises. It hasn't worked very well in most other cases. Thank you.

Michael Sanderson (Shareholder): You're not prepared to say here that we'll re-open Coober Pedy?

Peter King: No, we've made our decision.

Michael Sanderson (Shareholder): Okay.

Peter King: Thank you.

John McFarlane: Thank you. There are no more questions in the room. We've got no questions on the phone and we've got five questions online which we'll now take.

(Q&A Narrator): Mr Chairman, we have a question from Kevan Charles Daly. I'm a client of Westpac Online Investing and I'm satisfied with its performance, yet I never seem to see it mentioned at the AGM, so can you provide a short summary as to how it is going financially within the Westpac Group?

John McFarlane: Peter.

Peter King: I think it's a small business for us, but what I'm going to do on that question is actually get a banker to give you a call to work out how we can improve the service.

John McFarlane: Okay, next question, thanks.

(Q&A Narrator): Mr Chairman, we have a question from Stephen Mayne. Westpac has borrowed $29.8 billion from the Reserve Bank through its term finance facility on a three-year deal at a fixed rate of 0.1%, which is repayable on June 30, 2024. Is it our intention to wait until the end of June to repay that facility, given that a $29.8 billion loan at the current official RBA rate of 4.35% would cost $1.3 billion a year in interest, or $3.55 million a day? We will only pay $89.4 million in total over the three-year term of the loan. Whilst – may I please have the question back?

We'll move on to the next question, Mr Chairman.

We've got a question from Hilary Brooke. With the 2023 federal referendum, Voice to Parliament, now completed and the results in, do you think Westpac could stick to banking services and not entry the realms of political lobbying? It is noted you did not tell staff how to vote on saying that you were pushing your customers that way.

John McFarlane: Thank you. Given that we've already addressed that question, we'll move on to the next question.

(Q&A Narrator): Mr Chairman, we have a question from Ian Delphin. In regard to Westpac Verify, does Westpac offer an alternative to sending an SMS, particularly if a customer is overseas and doesn't have access to their Australian phone? That is, can an email address be used as an alternate means of contact, which the customer can nominate before travelling overseas?

John McFarlane: Peter.

Peter King: I actually don't know the answer to that but I think, again, I'll pick that up and we'll have a look at it. If there's problems with people being overseas, we need to get a way to do them. I might just comment on the TFF, even though we got part of the question. We only have $12 billion left to repay in the term funding facility. The cost of that was actually three years, 10 basis points plus the hedging costs, so it's not just 10 basis points, but we're well through refinancing the majority of our TFF and we'll accommodate that in our normal wholesale funding program, so it'll be accommodated between now and the end of June.

John McFarlane: Okay, next question thanks.

(Q&A Narrator): Mr Chairman, we have a question from Janine Maree Sowton. When will the management of the balance sheet and the business model that balance sheet is invested into see a share price challenging $30 and not $20?

John McFarlane: The value of the enterprise is the amount of capital invested, plus the present value of future excess returns, and that gives you the theoretical value of the enterprise. So in order to get the price from $22 to $30 a number of things have to happen. We have to increase the amount of capital invested in the business, or we increase the present value of excess returns. Therefore, that requires us to produce more earnings, more risk adjusted earnings and higher returns, which is really the agenda that we're pursuing. Can I have the next question please?

(Q&A Narrator): Mr Chairman, there are no further questions for this item of business.

John McFarlane: Thank you. That concludes the discussion of this item of business. Yes?

Unidentified Participant: Mr Chairman, sorry to interrupt but I did have one more question. I'll only be very brief.

John McFarlane: Okay.

Unidentified Participant: My family, we dealt with the Bank of New South Wales in the '60s and '70s. I'd like to share the exceptional customer service that my father received. We're in agriculture, banana growers, and I thought it was pertinent to share this quick story. Whenever there was any issues with five, 10 employees at the time, if my father had any issue where bananas were being transported and he was running short of money, he'd make one quick phone call to the bank and they'd pass whatever he needed. That was exceptional customer service.

Now, we relate that to where we are today. The customer is everything. The dollar starts and ends with your customer. You will see the reflection in your share price because of your customers. It's not about the shareholder. Shareholders may be upset with that comment, but it's not about the shareholder. The more you focus on your customer, exceptional service, exceptional care, fix the legacy issues, your share prices will skyrocket and any remunerations that any of your Board of Directors, Executive and Non-Executive want, will be passed in flying colours.

So I leave you with the thought that customer service and customer care is your paramount program. First and end. I wanted to share that with you. I think it’s vital, it’s important. We’ve seen shares go from $20 to $24 and back, so to see a great change, and you being the leaders; you’re a statesman, Mr McFarlane. Peter, you’ve done an exceptional job. I’m sure that you can implement these strategies over the next 12 months, two years, and be the number one bank in Australia without a doubt.

The last question I have is after we finish the Annual General Meeting, will the entire Board meet us in the foyer for a cup of tea and coffee and have some time together?

John McFarlane: Thank you. We intend to do that.

Unidentified Participant: Wonderful.

John McFarlane: Thank you for your comment. I happen to agree with you by the way, so congratulations.

Unidentified Participant: Thank you, I appreciate it.

John McFarlane: The next item of business is to adopt the Remuneration Report for the year ended 1 September 2023. If you’d like to ask a question in the room, online or on the phone, please do so now. While voting on this resolution is advisory, we take shareholder feedback very seriously and will continue to engage with shareholders. Our remuneration strategy is to attract and retain talented employees. We reward them for achieving high performance and delivering superior long-term results for our customers and our shareholders.

This year we’ve introduced a revised executive remuneration framework, designed to comply with APRA, our main regulator’s new prudential CPS 511 Standard. Details of the required framework are contained in our Remuneration Report. The Board recommends you vote in favour of this resolution and I will now take questions on the 2023 Remuneration Report. Can I have the first question please?

(Microphone Attendant): Mr Chairman, I would like to introduce Mr Craig Caulfield.

Craig Caulfield (Shareholder): Thank you, Mr McFarlane. Two items. One is ACSI’s Louise Davidson has recently mentioned that recommending taking away the monetary rewards and leaving share rewards in STVR and LTVR. The Rem Report, despite all the good work that’s put into it, and it’s a very complex document, most shareholders, the average person, doesn’t really understand it.

Of course, you’ve got regulatory requirements that you need to meet, but if it can be simplified would be wonderful, and I think that’s one way of simplifying it. It also reaffirms that the rewards going to the executives, etc. are being paid in company shares, so they’re going to have an increasing interest in looking after the welfare of the company instead of cash. Each of those cash rewards have got their various measures against them, so it's quite complex and that's a way of simplifying, so I'm just affirming what Louise Davidson had said. I'd be interested in feedback on that.

John McFarlane: Thank you. I'm going to ask the Chairman of the Remuneration Committee to talk about our philosophy on remuneration, but I would say to you that a lot of the constraints, other than regulatory, that we face on remuneration are from shareholders. So for example, we used to run relatively simple systems, either with deferred shares or with options etc. We're not able to do that anymore because we can't get shareholder support for simpler structures. So I'll just leave that comment but ask Nora if she might make a few comments.

Nora Scheinkestel: Thanks, John, and thank you, Mr Caulfield, for your questions and your comments and believe me, we're all aligned. We keep working on trying to simplify the document and we think we're getting better but there's a lot more that we can do and we'll certainly try to keep on doing that. We also agree completely with your views on the importance of having significant equity in the hands of our executives so that they do share the shareholder experience.

In fact, part of the change that the Chairman referred to about the new executive framework that's become effective as of 1 October, is in fact to even increase further the amount of equity that's in our executives' hands and to defer vesting even longer. Part of that's to meet the new regulatory requirements, but a strong factor in doing that was because we think it supports strategy and has our executives feeling very invested in the stock of the company. So we're completely agreed with your perspective.

John McFarlane: In fact, most banks have moved in this direction, so it's a sort of industry thing.

Craig Caulfield: (Shareholder): Yes, I understand. A second part question on the Rem Report, something I've raised before and at other banks, is the net promoter score that's used for determining the customer outcomes. Customer is a big focus at Westpac. The net promoter score is not really a good measure. It's your prime measure and yes, you look at other things, but you really need a system of metrics to weigh things. You know, a customer that's really unhappy, that's had a property repossessed, well, when they do a net promoter score of one, it doesn't have the same gravity and weight as someone that said, have a good afternoon, and they said net promoter score 10. That is too isolated a measure to feed in to the remuneration going back to the executives.

John McFarlane: Okay, I'm going to also pass that question too, but I'd just say this, that as the regulatory environment has advanced, it's become much more prescriptive in terms of our flexibility and we've had to move to, for example, scorecards for executive remuneration and, Nora, you might say something about this.

Nora Scheinkestel: Again, we agree net promoter score has got its limitations but it's a data point. If you actually look in the scorecard in the Rem Report, the customer component actually only accounts for 10%

and net promoter score is just one of three measures that are listed there, so we do look at things like speed of service and the satisfaction of our customers using the new digital app, particularly given the high percentage, as Peter mentioned, that are now interacting with us digitally. So we accept its limitations. It's a data point which we think is still important, but we look much more holistically at customer data and other inputs to tell us whether we're meeting our customer needs.

Craig Caulfield (Shareholder): Thank you.

John McFarlane: But it's become very much a science now because it's quite complex. Thank you. Can I have the next question please?

(Microphone Attendant): Mr Chairman, I would like to introduce Mr Paul Donohue.

Paul Donohue (Australian Shareholders' Association and New Zealand Shareholders' Association, Representative): My question's about Board discretion on the short-term variable reward outcomes. This year the Board exercised discretion to make upwards adjustments to the STVR for two Group executives. I understand this related to outstanding performance in risk management. Why was that behaviour not captured in the scorecard in the hurdles and what did these two executives do to justify Board discretion?

John McFarlane: I'm going to pass that to Chair of the Remuneration Committee.

Nora Scheinkestel: You're quite right. It is a part of the core components of the scorecard. We had in fact 30% of the scorecard that was dedicated to both our Customer Outcomes and Risk Excellence program and broader risk measures. The modifier is used when we believe that people have demonstrated exceptional performance in an area. In the case of executives that are rewarded for exceptional risk outcomes, that comes from the risk function assesses that and makes a recommendation first to Peter, and that in turn comes through to the Board. That will be a range of factors that are observed, both, again, data and observation.

The sorts of things that might go into that are, for example in our employee surveys, where they've got really high scores from employees saying that they feel comfortable in calling out issues, or that when they do that they're taken seriously and owned, or material reductions in high risk incidents occurring in their function, or else that we've seen people adopt really innovative tools to both – to effect behavioural change and then to be able to validate that and to show that in fact, silos have been broken down, that communications have improved and customer outcomes have benefited from that. So it's a range of factors that all build a picture of exceptional performance.

Paul Donohue (Australian Shareholders' Association and New Zealand Shareholders' Association, Representative): Thank you.

John McFarlane: Another question, thank you.

(Microphone Attendant): Mr Chairman, I'd like to introduce Mr Paul Fanning.

Paul Fanning (Shareholder): Thank you, Peter and John, and I think, Nora, you might be landed with a couple more questions. I'm speaking about the Rem Report. As John, you have already indicated, the Rem Report is a complex document but I've taken a few minutes there, or last 20 minutes, looking at it, and it seems to be, on looking at page 70 and 71 and for the benefit of the audience 70 and 71 of the full report probably gives quite a good overview of the framework for FY24 onwards. Yes, it takes a bit of reading and a bit of concentration, but I think it's reasonably quite good, and the continued little bit on page 72. My questions relate to page 78 and page 86 of the Directors' Report.

Can Nora – well, through the Chair of course – can you please give a little bit of colour, or the differences between 4.4, total realised remuneration, CEO and Group Executives, and Table 8.2, rem details, CEO and Group Executives? Because I know some – I know one is obviously taxable in the financial year ended and the other is for something else. Now I know these are two tables probably written in a regulatory framework, but I think we probably just need a bit of cover on that.

Nora Scheinkestel: Sure, and this is part of the complexity that we try to navigate our way through and help shareholders with as well. The accounting standards require us to value all sorts of components of the remuneration packages, in ways that reflect value for often components that the executive may never receive because, for example on long term variable reward grants, they appear to have been given to the executive, but unless the executive first satisfies the conditions, and secondly then serves the time, they will never receive that.

However, the accounting standards, appropriately, require us to say the theoretical value of what an executive might be able to earn in time, if they're around and satisfy all the requirements. We think it's actually quite important for shareholders to know what people actually get paid and so the realised remuneration reflects what people have actually gotten paid. Some of the other tables give a theoretical possible value, but it might never end up in the hands of the executive.

Paul Fanning (Shareholder): So Nora, in summary, 8.2 is the theoretical concepts?

Nora Scheinkestel: It's an accounting standard. Perhaps the CFO would get cranky with me if I said it was some sort of fantasy.

Paul Fanning (Shareholder): Okay, that relates. I mean even, for example, the fixed rem is different between Table 4.4 and 8.2. I can understand the LTR and the SVR would vary between Table 4.4 and Table 8.2, because we're looking at an accounting standard in 8.2, where 4.4 is realised, but when we actually see the fixed rem, for example, Scott Collary 2023 fixed rem, $1,234,741. Now if I go to Table 8.2, also for Scott Collary, and sorry, Scott, for pointing it out in an example, but it reads as a different figure, $1,187,292.

Nora Scheinkestel: So if we don't make your life hard enough as it is, we then force you to read the footnotes and, as you'll see, there's a half page of footnotes on 87 and one of those, the very first one, states that fixed remuneration or the number that's in the table actually isn't really just fixed remuneration; it includes a whole lot of other stuff including sacrificed benefits etc. So it's meant to give a very complete picture but I'm very happy to meet you after the meeting, perhaps with both the Head of HR and the CFO if you've got any further questions on reconciling the tables.

Paul Fanning (Shareholder): Okay, I'll close it off quite quick. For example, Peter, I'm going to pull you out as a red herring here. Fixed rem, Table 4.4, $2.507 million. That's a fix, and yet the fixed rem in 8.2 is $2.437 million.

Nora Scheinkestel: Yes, and so, again, I think it is in the details of that footnote that it includes all sort of other items.

Paul Fanning (Shareholder): I've looked at that.

Nora Scheinkestel: I'd be very happy to go through the details with you, sir, after the meeting.

Paul Fanning (Shareholder): Okay, I'll take you up on that one.

Nora Scheinkestel: Sure.

John McFarlane: Thank you. Okay, next question.

(Q&A Narrator): There are no further questions for this item of business.

John McFarlane: Well, thank you. That concludes the discussion on this item of business. The direct votes cast, and the position of proxy votes received on item two prior to this meeting will now appear on the screen.

So, I will now formally propose Resolution 2. The resolution is now displayed on the screen. If you've not completed your voting card for this resolution or voted on the online platform, please do so now.

The next item of business is item 3 seeking shareholder approval regarding the CEO's long term variable reward for the 2024 financial year. If you'd like to ask a question in the room, online or on the phone, please do so now. A summary of the CEO's long term variable reward is provided in the notice of meeting with further detail in the 2023 remuneration report.

As outlined earlier, the Board has made some changes to the executive remuneration framework this year. It's therefore proposed that the 2024 long term variable reward for the CEO be allocated as performance rights as well as restricted rights. Restricted rights are being introduced in 2024 to reinforce our focus on the Group risk culture. The Board strongly believes that the CEO should have a high proportion of remuneration paid in equity to align his interests with shareholders. The Board recommends this resolution to you, and I'll now take any questions on this item, Resolution 3.

(Q&A Narrator): Mr Chairman, we have an online question from Stephen Mayne. Could CEO, Peter Nash, summarise his past LTI grants as to whether they have vested or lapsed? Also, has he ever sold any ordinary shares in the Company or bought any on-market without relying on an incentive scheme to build his equity position in the Company? Please don't say, look it up in the annual report and through ASX announcements. It's complicated and our excellent CEO is always right across the detail and could factually summarise the situation in 60 seconds.

Peter King: Well, I'll say it's Peter King that's the CEO. So, sorry, Peter Nash. But thank you, Stephen. The short answer is I've been here 30 years, so I would have sold Westpac stock over that time. But since I became CEO, I haven't sold. I have accumulated stock through the STI that goes into stock to build up to my minimum shareholder requirements which, if we approve the grant here, I'll get to next year. So, that's broadly where I'm at. I haven't sold anything since I've been CEO.

John McFarlane: The vesting? He asked about the vesting of…

Peter King: Well, there hasn't been any LTI vested for the last eight years.

John McFarlane: Thank you. Can I take the next question please.

(Q&A Narrator): Mr Chairman, there are no further questions for this item of business.

John McFarlane: Good. Well, thank you. That concludes discussion on this item of business. The direct votes cast, and the position of proxy the votes received on item three prior to the meeting will now appear on the screen. I will now propose resolution 3. If you've not completed your voting card for this resolution, or voted on the online platform, please do so now.

The fourth item of business is the election of directors. Tim Burroughs, Michael Ullmer and Steven Gregg were appointed as Directors during the year and are each seeking election at this meeting in accordance with the constitution. The Board, other than the director concerned, has considered the performance of each director standing for election and recommends that Tim Burroughs, Michael Ullmer and Steven Gregg be submitted for election to the Board. First, moving to the election of Tim Burroughs. Tim was appointed a director in March 2023 and Tim will now address the meeting.

Tim Burroughs: Thank you, Chair. Is that sound working?

Peter King: Yes.

Tim Burroughs: Good. Good afternoon, shareholders. My name is Tim Burroughs, and I was appointed as the Chair just said, to the Board in March this year and this resolution allows you to decide if I should continue as a director.

I've worked my whole career in financial services. I qualified as a chartered accountant but moved into investment banking over 40 years ago. I've worked predominantly in Australia, for British, American and Australian banks and investment banks. My investment banking roles have involved acting as corporate financial advisor to large companies and company boards and management.

While I have a lot of experience advising on transactions, including takeovers, asset sales and purchases, capital raisings and restructurings, my key role has been to provide external advice and perspective on corporate strategy to examine how that strategy can generate value and consider how that value is provided to shareholders as the owners. These are all topics you've commented on through the meeting already.

Over the years, I've advised many of the largest companies in Australia and New Zealand and worked with most of the major and regional banks. So, I am very familiar with the operation of the banking industry, the drivers of valuation of banks, the importance of a sound capital structure, how return on that capital drives value and the challenges to achieving consistent, good returns.

Since retiring from full time and paid employment, I've continued to provide advice on an unpaid basis to benefit a charity. I've sat on and chaired not-for-profit boards, but this is my only public company board. I accepted the position because I have a huge respect for Westpac and I'm proud to be on the Board. I'm also a member of the Board Risk Committee and am joining the Board Remuneration Committee. Westpac has a great history, but I am more interested in its future. The bank has experienced a challenging few years and I believe my experience and skills can help in the ongoing task of building its future.

As we've heard today, much has been done but there is more to do. We operate in a sector with quality competitors and appropriately, we're subject to significant regulatory oversight. I have experienced many cycles in company life, and in my view, there is no alternative but to choose a sound strategy and to trust its execution to good people. You focus on your customers as we've heard repeatedly, deliver quality and fairly prices products and operate efficiently. All of this not easy and takes a great deal of work and I would be grateful if your support allowed me to play a part in that work. Thank you very much.

John McFarlane: Thank you, Tim. I'll now take any questions on Tim's election. Can I take the first question please?

(Q&A Narrator): Mr Chairman, we have an online question from Stephen Mayne. Welcome to Tim Burroughs as a new Director, and could he comment on whether he knew any of our directors before being appointed? It is always helpful for investors to have access to some exit perspectives from retiring independent Directors. We've heard from Chairman, John McFarlane, but in the final contributions as Westpac directors, could Michael Hawker and Chris Lynch please comment on what they regard as the best decisions Westpac made during their time on the Board and do they have any regrets?

John McFarlane: I will take the question on Tim, if there's a question? I don't recall what that question was. But given that the others are not related to this item business, I won't take that question. So, can I have the next question please?

(Q&A Narrator): Mr Chairman, there are no further questions for this item of business.

John McFarlane: Okay, so the direct votes cast, and the position of proxy votes received on item 4(a) prior to the meeting will now appear on the screen. I will now formally propose Resolution 4(a). This resolution is now displayed on the screen and if you've not completed your voting card for this resolution or voted on the online platform, please do so now.

Now, moving to the election of Michael Ullmer. Michael was appointed as a Director in April '23 and he will now address the meeting.

Michael Ullmer: Thank you, Chair. Good afternoon, shareholders. It was an honour to be invited to join the Board of Westpac and I've served as a Director since April of this year. I've spent the majority of my executive career in banking and financial services. In the first half of my career, I was a partner with two of the major accounting firms, and in that context, was responsible for the audit of two of the major banks in Australia. I also undertook a wide range of risk and strategic assignments for financial institutions here in Australia and throughout the Asia Pacific.

For the second half of my career, I was a senior bank executive, first with the Commonwealth Bank where I was Chief Financial Officer, and then the Group Executive in charge of Institutional and Business Banking. Finally, with National Australia Bank, where I was a member of their board as Finance Director, and then Deputy Group Chief Executive Officer.

My experience positions me well to contribute to Board discussions on strategic and operational issues as well as on financial and risk management issues particularly through my role on the Board Audit and Risk Committees. In addition, I welcome the opportunity to share with management the lessons from a long career in banking.

I've always admired Westpac. It has a storied position as Australia's first bank and has played a pivotal role in the development of our economy. As a result, Westpac has a tremendous franchise and is recognised for its support of the community. In more recent times though, Westpac has encountered major challenges and management are well progressed with an extensive remediation program to strengthen risk management and risk culture. I've been impressed with the comprehensive response and commitment demonstrated by management in ensuring this work positions Westpac to compete vigorously in the market, help our customers create – to create better futures and deliver superior returns for you, our shareholders.

Again, I believe my experience will assist in the Board oversight of this work. I ask you for your support of my election today and assure you of my commitment to playing my part on your behalf in restoring Westpac's competitive position. Thank you.

John McFarlane: Thank you, Michael. I will now take any questions on Michael's election.

(Microphone Attendant): Mr Chairman, I would like to introduce Mr Paul Fanning.

Paul Fanning (Shareholder): Thank you, John. Look, this question applies equally to the election and re-election process of all directors. The notice of meeting actually says there is a skills matrix for talents that the Board members bring to the Board. But I've been frantically trying to flick through the annual report to try to find where it might be.

John McFarlane: It's on page…

Paul Fanning (Shareholder): It's supposedly on the Corporate Governance Report too which I don't have a copy of. I thought maybe it's in the Directors' Report, I don't know.

John McFarlane: Yes, it is. It's on the Corporate Governance Statement, it looks like this.

Paul Fanning (Shareholder): What page?

John McFarlane: Well, you can have this.

Peter King: It's not in the annual report.

John McFarlane: It's not in the annual report.

Paul Fanning (Shareholder): Oh, isn't it? Because the notice of meeting indicates that it should be in there.

John McFarlane: It's in the corporate governance – it's effectively, for shareholders, but it's in a separate… page 15.

Paul Fanning: (Shareholder) Okay, so let me look at that. Thank you very much. Okay. That's fine. Thank you.

John McFarlane: Any other questions?

(Q&A Narrator): Mr Chairman, we have an online question from Stephen Mayne. In 2019, Treasury Wine Estates voluntarily moved to annual elections for directors in line with best practice that occurs in both the US and the UK. Dual listed companies like News Corp and Rio Tinto all do this due to the laws in the US and UK, and BHP has continued doing it even after its UK DLC ended in 2021. As a long serving, ongoing director, can Michael Ullmer and the new Chair, Steven Gregg comment on whether Westpac will seriously consider following this TWE and BHP lead by voluntarily moving to annual elections of directors at the next AGM? Doesn't it make sense to improve boardroom accountability to shareholders?

John McFarlane: I won't pass that question on, but I will say that I have experience in both annual elections and in three-year elections of directors and each has advantages and disadvantages. The benefit of an annual election is – it gives shareholders the opportunity to evaluate each director every single year. It's also quite a massive dislocation potentially on the stability of the Board where they are not to be exercised prudently. The benefit of a three-year election is the director can settle in and make a contribution over a longer period of time than an individual year. Generally, that is the Australian model as they clearly both have advantages and disadvantages and that at this point in time, it is not common practice in Australia, but there are occasions where companies do that, but they tend to have UK links in order for that to be the case.

So, I'll leave that for my successor, Steven, to determine whether he wants to follow that in the future and that can be something that Stephen can ask at next year's annual general meeting. So, can I take the next question, please?

(Q&A Narrator): Mr Chairman, there are no further questions for this item of business.

John McFarlane: Well, thank you, and the direct votes cast, and the position of proxy votes received on item 4(b) will now appear on the screen. I'll now formally propose Resolution 4(b). If you've not completed your voting card for this resolution, or voted on the online platform, please do so now.

Finally, the election of Steven Gregg. Steven was appointed as a Director and Chairman Elect, in November '23. Steven will address the meeting.

Steven Gregg: Good morning, ladies and gentlemen. It is an honour to have joined the Westpac Board as a director just over one month ago. Today, I seek your support for my election to the Board of Directors and I will also be taking over as Chair from John, which is a great honour. Thank you. My family has been banking with Westpac for over 70 years and I personally feel a very strong affinity with the bank. I also have a meaningful shareholding in Westpac, and I've had that for many years.

As Australia's oldest company and bank, Westpac plays a significant role in the economy and community which is what I do recognise strongly. My reflection as an outside observer and with my initial experience as a director, is that Westpac is in a period of transition having endured a tough few years. Now, is the time to look forward with clarity and ambition. The Company's foundations are strong, and it is well positioned to compete and grow. Westpac has great potential. I believe the experience and perspectives I bring from more than 30 years as an executive in the global financial services industry plus more than a decade as a director and chair of a number of companies will help realise this potential.

I have held senior corporate and investment banking roles in Australia, Europe and the US including time at ABN AMRO, Chase Manhattan, Lehman Brothers, AMP and Morgan Grenfell. My last job as an executive was leading ABN AMRO in Great Britain which was a very important part of my career. I managed a large and complex bank. Following that, I joined McKinsey as a partner advising clients, boards and chief executives in the wholesale and corporate banking sectors across Asia and Australia. I've also held chair and directorships across a range of industries and companies that are relevant to my position at Westpac.

In this regard, I currently chair Ampol, one of the country's largest energy companies and the Lottery Corporation. As announced, I will be stepping down from my role at the Lottery Corporation in the first quarter of 2024 in order to focus on fulfilling my role here at Westpac. In this regard, I have also recently stepped down from my directorship at Challenger Financial Services.

Previously, I was a chair of Goodman Fielder, Australia's largest listed food company at a challenging and very pivotal period. I oversaw a significant restructure and sale in 2014 which derived significant value for shareholders. My experience at Ampol, which is at the forefront of energy transition in this country has been formative and relevant and has equipped me very well to assist in meeting the challenges ahead of us at Westpac. In addition to helping customers and the economy in general transition to net zero.

In summary, I believe there are many opportunities ahead for Westpac. It has undergone significant change in recent times and has emerged as a stronger and more customer focused bank. Together, with my fellow Directors and the management team, I look forward to leading this great Company into its next chapter, and importantly, to improve performance and shareholder returns. I ask for your support today in the election of a director of Westpac and as my role as Chair and your representative of this terrific Company. Many thanks for your support.

John McFarlane: Thank you, Steven. I will now take any question on Steven's election. Can I have the first question please?

(Q&A Narrator): Mr Chairman, we have an online question from Stephen Mayne. Under the Westpac constitution, external nominations for the Board must be lodged at least 35 business days before the AGM. With a rushed pre-Christmas AGM on December 14, the latest nomination date this year was October 26. However, Westpac didn't release its full year results until November 6, the same day it released the notice of meeting. As the new Chair, will Steven Gregg agree to return Westpac to a late February or January AGM in the future so that Board nominations close after you've told shareholders about your performance for the year? Why the rush?

Steven Gregg: Stephen, I don't think we will be doing that, but I will take that on notice and I'll discuss that with the Company Secretary to see what the most appropriate time may be, but at the moment, we'll be keeping at the same time.

John McFarlane: Okay, next question please.

(Q&A Narrator): Mr Chairman, we have a question from Stephen Mayne. Could new Director and Chair Elect, Steven Gregg, and the outgoing Chair, John McFarlane, comment on the recruitment process that led to Steven's appointment to the Board? Was a head-hunter involved and did the full Board interview any other candidates? Which of the exiting Westpac Directors did Steven know before engaging with the recruitment process? Were any of our major shareholders consulted about the plan to pursue an external candidate as the next Chair?

John McFarlane: Okay, thank you. This was quite a long process and given that I was planning to step down, I gave more than a year notice that I was planning to, and we announced that at the last AGM. So, post that, we've had 12 months to deal with that. A subcommittee of the Board was set up that did not involve me and did not involve anyone who might have been a candidate to be elected, and that oversaw the process of election. We looked externally and internally over that period and considered internal and external candidates.

It was a difficult process. There are many people who are not prepared to be a director or a chair of a regulated entity. Therefore, the pool is not as big as you might think it is. But nevertheless, we did have options and we looked at all the options, considered them seriously. The whole Board met Steven as part of his qualification and at the end of the day, we had a choice. The principle here – a lot of people think we should always appoint just internally. Whereas actually, the obligation on us to take the best person in the world available to us whether they're internal or external.

So, we went through that process, and we did have options, and the Board unanimously decided that Steven was the best candidate. We didn't normally approach individual shareholders in this process, but actually Steven before he took the job did actually approach shareholders in order to see whether or not he should pursue this and / or whether he felt shareholders would be supportive so that there was, in fact, some external consultation.

Look, we've actually got an incredibly good candidate here in Steven. He's not only got enormous financial services experience, but he's also got amazing directorship experience and successful directorship experience here. We couldn't wish for a better candidate, and I wish you well.

Steven Gregg: Thank you, John.

John McFarlane: Next question, please. There's a question in the room.

(Microphone Attendant): Mr Chairman, I would like to introduce Ms Rita Mazalevskis.

Rita Mazalevskis (Shareholder): Just a quick one, Steven, more out of curiosity, what timeframe were you at Lehman Brothers?

Steven Gregg: What timeframe? I was there, to your point, probably 10 years before it went bankrupt. So, I was there between '90 and '97.

Rita Mazalevskis (Shareholder): Yes, it was just more out of curiosity. So, I'm assuming you – we would be in good stead having someone like you in this position to foresee anything like that which might come up on the bank?

Steven Gregg: Very different time and very different circumstance.

Rita Mazalevskis (Shareholder): Yes, okay, thank you.

John McFarlane: Thank you, Rita. Another question?

(Q&A Narrator): Mr Chairman, there are no further questions for this item of business.

John McFarlane: Okay, so the direct votes cast, and the position of proxies received on item 4(c) prior to the meeting will now appear on the screen. I'll now formally propose Resolution 4(c). If you've not completed your voting card or voted on the online program, please do so now.

Now, can I thank everybody for respecting the fact that we wished to have all the discussion on climate change in this part, and I really do appreciate that and we're quite happy to have a comprehensive discussion now without time limit on this. So, the next item of business relates to Westpac's 2023 Climate Change Position Statement and Action Plan.

As I mentioned earlier, we're putting a non-binding advisory resolution regarding our climate strategy to this AGM. Climate change is an important matter for Westpac customers and the economy and we're playing our part. So, given this and the significant focus of many shareholders in this matter, we decided that a resolution of our own was the best way to reinforce our commitment and support constructive discussion.

Resolution 6 support for our 2023 Climate Change Position Statement and Action Plan which is included in our '23 Annual Report and our Climate Report and is summarised in our annual report. Our Climate Change Position Statement and Action Plan sets out our position details, our strategy for reducing carbon footprint and how we're working with customers to help them reduce their impact. It also includes the action we're taking to help us achieve our ambition of becoming a net zero bank.

Now, while this item is advisory, we do value the feedback and the Board will take the outcome of the vote into account when considering our future climate change plans. The Board recommends you do vote in favour of this resolution and just before I do take the question, the Board has very little exposure to fossil fuels. But nevertheless, we do have exposure so I will take the questions on this item.

(Microphone Attendant): Mr Chairman, I would like to introduce Mr Roydon Ascott.

Roydon Ascott (Shareholder): Thank you, Mr Chairman.

John McFarlane: Thank you.

Roydon Ascott (Shareholder): I'm a retired regional manager with Westpac in Queensland, and my question relates to the transition plan assessments in the annual report. On 7 November last, the Australian media announced a proposal by Westpac to consider a restriction on their lending to our farmers and grazing customers if they are engaged in land clearing. This is not specifically detailed in the transition plan assessments. Westpac's decision to implement and set such a zero deforestation target for agricultural lending is completely concerning and unnecessary as Australia already has in place stringent native vegetation protection laws set and enforced by our state governments.

Will the Board of Directors and the Chief Executive Officer seriously reconsider this matter in the best interests and protection of our widespread rural producers. I say with respect, also shouldn't the Board reflect upon its reputation as a supportive corporate citizen in regional Australia? Thank you.

John McFarlane: Thank you. It wasn't quite reported accurately, so Peter, why don't you…

Peter King: Yes, well, firstly thank you for the question. In relation to agriculture, we continue to have aspirations to support that sector and grow in it. So, that's the first point. In relation to no deforestation, we're aware of the legal rules. We have set out a policy that talks about clearing of natural forests, not regrowth and we will work within the national rules as well as the policy that we set out. But we do think it is important that we focus on the land as well as how it's used.

So, I think we have a two-year transition plan where we'll use that to engage, we already are engaging. We see farmers managing their land in the way that we – they're doing it well today and we think they already meet the requirements. But we will engage over the next two years, it's something that comes into fruition in the next little while and feedback such as yours on state requirements, I think we will pick up, we are picking up.

Roydon Ascott (Shareholder): Peter, going forward, I ask that the new Board specifically pays attention and gives empathy and understanding to the widespread rural community of Australia, without them we're in deep trouble. You know that anyhow.

Peter King: Yes

Roydon Ascott (Shareholder): Darling Downs in Queensland last week, we sent three 747 jet planes full of 80 containers each of farm produce to Hong Kong. Now, that's just the start of our program in the area of Queensland. It's a very important part of Westpac's customer service particularly in the lending area to observe those farmers. Thank you.

John McFarlane: Thank you. Can I take the next question, please?

(Microphone Attendant): Mr Chairman, I would like to introduce Ms Rachel Deans.

Rachel Deans (Shareholder): Thank you. In July 2022, Westpac loaned $125 million to Woodside in a deal that does mature until 2025. This is a company which plans to increase oil and gas production by 45% by 2027. It also plans to develop five new oil and gas projects, the cumulative emissions of which adds up to 2 billion tonnes of CO_2 equivalent which is over four times Australia's yearly emissions.

In June of this year, Woodside reached the final investment decision on the Trion oil field in the Gulf of Mexico. Woodside will invest over $7 billion in developing and operating Trion. Over its lifetime, it will emit almost half as much as Australia does in an entire year. This is the second new oil field that Woodside has locked in since the International Energy Agency said, new oil and gas fields were incompatible with limiting warming to 1.5 degrees.

Westpac has actually ruled out direct financing new oil and gas fields that are incompatible with the International Energy Agency's net zero scenario but continues to loan money to Woodside, a company investing in these very projects anyway. So, if Westpac accepts that new oil and gas is incompatible with 1.5 degrees, how does it ensure that the companies it finances are not using this money to fund new oil and gas projects?

John McFarlane: Our Chief Executive will answer that.

Peter King: Well, thank you. As we've said earlier in the meeting, we can't comment on specific customers, and I'll make that point again. In terms of our policy, so as you know, we've said by the end of 2025, we want the big emitting sectors, particularly oil and gas, to have credible transition plans and we look at things like strategy, capital allocation, whether there's scope – whether their plans look at Scope 1 and 2 and 3.

So, that's what we are focused on, making sure that companies have those plans and then, at that point, we will make decisions about how we support, work with, or not with those style of companies.

Rachel Deans (Shareholder): In follow up to that, Westpac does seem fine to be publicly disclosing its renewable customers, but I appreciate you might not be able to on this front. But it is really about – rather than specific clients, it's more generally – if our current clients are developing new oil and gas, how do we ensure they're not spending our money on these projects now between now and 2025 because that – there is obviously time that we can pump money into these projects that are just completely incompatible with the Safe Climate and we are already seeing those impacts today in terms of bushfires and other things going on in Australia.

Peter King: When we speak about a company in our annual reports, they approve to it. So, that's an important point. But in relation to oil and gas policy, we've said we'll look at transition plans, Scope 1, 2 and 3 and that's what we're looking at in terms how we assess companies.

Rachel Deans (Shareholder): Thank you.

John McFarlane: Thank you. Next question please.

(Microphone Attendant): Mr Chairman, I would like to now introduce Ms Isobel Fish.

Isobel Fish (Shareholder): Thank you. I'm Isobel Fish. I'm a shareholder, a Financial Sector Union member and a really proud Westpac employee of the last 11 years. I'd like to start by acknowledging that we're on Stolen Lands and I pay my respect to the Elders.

So, over the last 11 years, there have been so many times that I have been incredibly proud to work for this Company. The work we've done through progressing women's rights, the support for Indigenous Australians through the Jawun investment, through the Indigenous Voice to Parliament and our Indigenous business banking. As we embrace digitalisation, I'm so proud of the innovative ways that we're coming up to give financial services to more Australian's that need it.

However, my colleagues and I were deeply dismayed to learn that Westpac continues to fuel climate crisis by financially supporting companies that are expanding the fossil fuel industry. Westpac said that it's stepped up its actions and commitments as the climate crisis becomes more urgent. But it's hard to reconcile that with the fact that this bank continues to directly prop up companies that are making the problem worse.

Westpac is right. The climate crisis is urgent, and the bank should be acting like it is by refusing new finance to companies with no intention of transitioning away from fossil fuels. We urgently need to transition away from fossil fuels to clean, renewable energy. The bank needs to draw a line in the sand and show genuine climate leadership and tell the fossil fuel industry that is enough is enough. The fossil fuel industry needs to hear loud and clear that our bank will not financially support any company or project that risks blowing up our increasingly shrinking carbon budget and our hopes for a liveable planet for future generations.

Westpac employees were not consulted about this latest climate policy, and they haven't been given any chance to have any input into the bank's fossil lending policies and what they should look like. Board, I want to continue to be proud to work for this Company. I want my bank, Westpac, to not provide finance to any new fossil fuel projects or companies building them which are not compatible with a stable living environment.

So, I ask that Westpac commits to involving workers and our Finance Sector Union when developing climate policies in the future. So, my question, will you commit to consulting, listening to and engaging with us when it comes to your fossil fuel lending policies?

John McFarlane: Well, thank you for your service and for your eloquence. Peter?

Peter King: Well, I think you are giving us feedback today. Seriously, thank you for turning up today, thank you for the positive recognition and thank you for the feedback on the climate policy. As you can imagine, we actually take broad stakeholder feedback on these within the Company and outside the Company and I'd be pleased to receive the feedback you have on our policies. I don't think we'll be in a position to put our policies to employees more broadly, but I certainly would welcome your feedback.

Isobel Fish (Shareholder): Thank you. Will you work with us in the Finance Sector Union on these policies, if not directly with the employees?

Peter King: Well, we'd invite all employees to give us feedback. The FSU represents a subset of our employees, but we'd like to hear from all employees.

Isobel Fish (Shareholder): Thank you.

John McFarlane: Thank you. Next question, please?

(Microphone Attendant): Mr Chairman, I'd like to introduce Ms Kate Patterson.

Kate Patterson (Shareholder): Good afternoon. Firstly, I'd like to acknowledgement the First people of these lands where we meet. This is, always was, and always be Aboriginal land. I've been a Westpac customer since primary school an investor throughout that time, and I'm now deciding whether this bank represents the values I want to be my children's bank. I do note that, Chair, John McFarlane you mentioned earlier, you had quite significantly reduced fossil fuel exposures and that this Action Climate Change Plan is a step forward. However, my question as an investor is whether our ongoing fossil fuel lending still makes sense? Commercial sense? In a time when the climate emergency is becoming a real household emergency for so many Australians. Also, so many of our housing, lending portfolio.

Our fossil fuel exposure accounts for less than 0.8% of our total lending portfolio with oil and gas extraction customers making up 0.2%. A very small part of the portfolio. Yet according to the 2023 climate report, our oil and gas customers account for 19% of our financed emissions with many of our customers as we've noted planning to grow those oil and gas projects. So, this small percentage of clients is doing outsized damage to the rest of our lending portfolio, including the viability and resilience of Westpac's Housing portfolio, which is over 50% of our total exposure.

So, research has shown that in Australia, 1 in 25 homes will be uninsurable by 2030. So, that's over half a million homes. So, why is our bank continuing to turn a blind eye for this tiny percentage of its customer base when those investments are doing an outsized damage to the rest of our portfolio, including homeowners.

John McFarlane: Thank you. We've already answered the question, but I'll make some more general points on this. There are people that want us to move and close down all fossil fuel exposures now. Now, we couldn't do that because there are some committed facilities which are legally binding and therefore, that takes time to wind down. So, even if we wanted to, there's still exposures but then you get the question of renewal and new exposures.

The issue is this. Australia wants to move to green but cannot move from brown to green today. It can only move to that over a period of time. We've got the government expanding the use of electric vehicles, increasing the demand for electricity. We are shrinking the amount of coal fire generation which is a good thing. The issue that we've got thought is there's still cars on the road that use diesel and use petrol, and we've also got power that is produced by coal, gas, power stations, and combined with that, you've got a government that is willing to have nuclear mets and nuclear submarines but no nuclear power.

That's part of that equation, which could accelerate that move to green, which makes it a bit more difficult. So, for that reason, fossil fuels are going to be with us for some time and you then have this choice of not doing it at all or moving and accepting the government's policy is that we should transition towards a better future which is what we're embracing.

Look, I'd make the other point, is if we pulled out, it would still get financed by somebody else, and I think it's better that it's financed with people who have – banks who have got commitments to the future, to reduce and become net zero and to ensure that any facilities that we grant are actually strenuously screened such that they're acceptable to us and in an acceptable form of transition for Australia for the future.

So, I think that whilst that's a more difficult decision and people will disagree with that, it's a more responsible position in that we believe we're a responsible supplier and if we didn't do it, it would go to perhaps irresponsible suppliers with less commitment. So, I do think while not everybody is going to agree with us, I just think we're doing the right thing here in order to find the transition here. I think that – I believe in that, and I think the alternative is not better is my view.

Kate Patterson (Shareholder): I think we perhaps do disagree on some of those positions, and I think acknowledging that you've all had long and successful careers and that no doubt, you are able to tell the difference between a transition plan that presents a glossy story. I would like to understand the transparency and accountability that we can expect to see for transition plans that aren't due for two years as you're continuing to invest in these fossil fuel organisations. How can we believe that those organisations are credibly transitioning to net zero when they also have expansion plans?

John McFarlane: Yeah, well, look, I think the bit of evidence I would initially look to is when you look about historical fossil fuel exposures, they've come down systematically over quite a period of time. So, that should be good news to that question. We expect the same – it does need to say every year they go down. But we expect over time that will continue to go down over time and you'll see the evidence of that in our disclosures.

On the other hand, we do think gas is going to be with us if there's no use of nuclear power here. We're accelerating investment into renewals very fast, as we can, and our own power usage is 100% renewable. So, we are trying to facilitate green power as fast as we can, but that green power cannot happen quickly enough to avoid the use of gas – we can avoid the use of coal, but we can't avoid the use of gas and therefore, we just need to recognise that as a declining reality over time and to recognise we're going to be exposed for some time, but it will decline.

Kate Patterson (Shareholder): Okay, thank you.

John McFarlane: You're welcome.

(Microphone Attendant): Mr Chairman, I would like to introduce Ms Nishtha Aggarwal.

John McFarlane: Thank you.

Nishtha Aggarwal (Climate Energy Finance, Representative): Hi, everyone. My name is Nishtha Aggarwal. I'm the finance emissions analyst at Climate Energy Finance. I'd like to acknowledge Westpac for the progress and leadership in establishing a sustainable finance framework this year ahead of the market and ahead of an initial taxonomy to be released next year. We promise to continue assessing the credibility of the eligibility criteria outlined in this framework from a real emissions reduction perspective. I'd like to ask a question regarding your 56% emissions intensity reduction target for your mortgage book, and how you plan to incentivise and lead the electrification and energy efficiency upgrades of Australian homes? We know that your 56% target – Westpac will actually be able to achieve that target passively by leveraging existing national efforts to decarbonise the grid as the energy market operator forecast a 60% emission reduction – decline in the power grid by 2030 compared to 2021 levels consistent with your target.

So, being Australia's second largest mortgage market shareholder, how is Westpac going to drive additional electrification and energy efficiency upgrades for its customers?

John McFarlane: Thank you. Peter.

Peter King: So, I think the first thing is rating of housing. So, we're working with national authorities on how to we get an effectively energy rating for a house, and that helps level set people and hopefully we'll get them interested in how they improve it. We'll do it through products, thinking about EV loans for cars, we're looking at other products for mortgages including to help them electrify their homes. So, we haven't got those at the moment but we're working on those.

In our digital app, we've actually got a carbon footprint tracker, so again, looking at the data and helping people understand their footprint. It could be flying or other things. So, I think education is a big bit. Consistency of measurement, product features and then I think there's a societal issue because those who are well off, will be able to finance it themselves. I think there's a piece for advocating with government to help to help those who can't afford this process to help them as well.

Nishtha Aggarwal (Climate Energy Finance, Representative): Thanks very much for that answer and that was my follow up point there, just around the policy advocacy to remove the barriers so finance especially for low-income households. What's my question here? I guess it's what are you doing in regard of that and will be you transparent in that policy advocacy in this year's reports?

Peter King: What are we doing? Well, we've got – one on hand, we've got responsible lending laws, so we've got to manage that and then we've got government assistance. So, we'll be encouraging governments to help out in the right way.

Nishtha Aggarwal (Climate Energy Finance, Representative): Okay, thank you.

John McFarlane: Thank you. Next question thanks.

(Microphone Attendant): Mr Chairman, I would like to introduce Mr Kyle Robertson.

Kyle Robertson (Market Forces, Representative): Thank you, Board. Nice to see you again, Mr King. Nice to see you again, Mr McFarlane.

John McFarlane: Indeed. Yes.

Kyle Roberston (Market Forces, Representative): I did have a question that I wanted to answer – sorry, I did have a question that I wanted to ask. However, I do want to address something you just said before, Mr McFarlane. You said, and you said this last year in your opening statement regarding climate change, that some want to see fossil fuel financing from Westpac shut off overnight.

I want to make very clear, to every shareholder in the room, that the resolution at item 6 is not asking the bank to do that. It's asking the bank to have a clear plan for how its fossil fuel customers are aligned with the Paris Agreement. Not to cut off finance overnight. It's a very clear distinction. It's one that, not Westpac necessarily, but other peers have made of resolutions from Market Forces before and I do want to make that very clear and correct the record.

John McFarlane: No, we are aware of that. Thank you for that. We're conscious of that.

Kyle Roberston (Market Forces, Representative): On that topic I did just want to address one thing very specifically. Which is, as Rachel said before, Westpac has ruled out directly financing new oil and gas projects that are not compatible with the International Energy Agency's, Net Zero by 2050 scenario. I suppose my question is, does Westpac consider that new oil and gas, or new and expanded oil and gas, is incompatible with 1.5 degrees?

Peter King: Well, again, we will work on client transition plans with customers and we'll be looking at their plans to offset Scope 1, 2 and 3 emissions and we've said we won't finance expansion in new or greenfield in oil and gas. We'll be using our policy.

Kyle Roberston (Market Forces, Representative): I do appreciate that but that wasn't an answer to my question. The question was, do you consider new oil and gas fields to be incompatible with 1.5 degrees?

Peter King: It will depend on what's in the 1.5 degree and what was approved before and after and that's why we'll be doing it at a client level where we've got a couple of exposures in that area and we'll be working with those clients pretty closely.

John McFarlane: You know that's more a question for government than for us, of course.

Kyle Roberston (Market Forces, Representative): Not necessarily, it's your policy.

John McFarlane: Indeed.

Kyle Roberston (Market Forces, Representative): Anyway, thank you.

John McFarlane: Thank you. Any other questions?

(Microphone Attendant): Mr Chairman, I would like to introduce, Ms Jan McNicol.

John McFarlane: Thank you.

Jan McNicol (Shareholder): Thank you, Mr Chair. This meeting is incredibly timely when we're talking about climate when our fellow Australians up north are being belted by a giant cyclone and people are being rescued off roofs with helicopters. In Westpac's climate reporting this year, the bank signalled its intention to guide its oil and gas customers transition away from fossil fuels with the rationale that these companies need finance to assist them in the transition.

But, according to the International Energy Agency, oil and gas producers account for just 1% of total energy – clean energy investment globally with more than half of that coming from just four companies out of the thousands that exist globally. Instead of investing in clean energy and managing down their oil and gas operations, oil and gas companies continue to pour over a $1 trillion into oil and gas supply every year. Far more than what the International Energy Agency says is required in a 1.5 degree centigrade scenario.

The oil and gas industry invests just 2.5% of its capital expenditure on clean energy. So, my question is, that given the oil and gas industry, including Westpac's clients, are spending vastly more on growing their fossil fuel operations, what concern should Westpac have that the companies we bank will use its finance to lock in dangerous and risky fossil fuel expansion projects, instead of renewables, as the data clearly shows us?

Peter King: I think the way we think about that question is back to the climate transition plan. So, we've asked clients to have them in place by the end of 2025. We will assess whether they're credible and that work will happen between us and the clients and that will be part of it. In areas like electricity generation, we're already lending more, much more, than we are to traditional electricity generation. That's an example where we're definitely seeing capital deployed to renewables. But oil and gas, there's work to do.

Jan McNicol (Shareholder): We know the risks from worsening climate change are potentially catastrophic, as people up north are finding out, but what we do in the next few years matters. So, regardless of what Westpac is doing to – going to require from October 2025, what should Westpac do to commit to assessing all its fuel finance decisions for alignment with 1.5 degree centigrade before then?

Peter King: Thank you, but I think the policy's clear about what we will do in the next two years and that's the policy we will be applying.

John McFarlane: But I did make the point earlier that our fossil fuel exposures have been coming down over a period and will continue to come down over time. Can I have the next question please?

(Microphone Attendant): Mr Chairman, I would like to introduce you, Mr Morgan Pickett.

Morgan Pickett (Proxyholder): Thank you, Chair.

John McFarlane: Thank you.

Morgan Pickett (Proxyholder): I'm here as a proxy and I've been instructed to ask a question written by Greg Mullins, AO, Australian Fire Service Medal recipient and firefighter. Mr Mullins is also a former commissioner of Fire and Rescue, New South Wales, and founder of Emergency Leaders for Climate Action and I quote Mr Mullins:

During my five decades of fighting fires, I've watched with growing alarm as bushfires in Australia have become more intense and unpredictable. Supercharged by climate change.

This summer, and next, Australians will, yet again, face escalating heatwaves and fire conditions worsened by pollution from two centuries of burning coal, oil and gas. Continuing to lend, or invest, in polluting industries that harm us all, is reckless and immoral. There is no longer any question that out of control climate change is approaching dangerous tipping points. Supporting these industries in any way shows no regard for Australians who are living through more intense and frequent fires and floods, or those who will, inevitably, face them in the summers to come.

Westpac can no longer pass the buck on this, or give blatantly greenwashed answers to stakeholders. We know Westpac continues to lend, invest in and profit, from industries whose operations are worsening the climate crisis they claim they want to fix. Our financial institutions must stop bankrolling the expansion of polluting coal, oil and gas projects, and start using their financial might to help secure a safer future for Australians.

Mr Chairman, when will Westpac stop providing finance to projects, and companies that are expanding fossil fuels, that are causing Australians immeasurable harm.

John McFarlane: Thank you. We'll note all the comments. But we've already addressed that and I don't think we need to address it again. Thank you.

Morgan Pickett (Proxyholder): So the answer is, you'll continue to finance fossil fuel expansion?

John McFarlane: No, we've talked about new oil and gas projects and we've talked about transitioning existing ones. So, Peter?

Peter King: I think well, the key points, point 6 of our committed exposure is to the fossil fuel energy change. We've said we are out of thermal coal in 2025, we've said for oil and gas customers, they have to have transition plans, credible transition plans, by the end of 2025. We've said we won't finance new and greenfield oil and gas and so the policies are pretty clear. Transition is very important here.

Morgan Pickett (Proxyholder): Interesting point you made there. You're moving the goal posts from your climate policy last year in that you were expecting those transitions plans, prior or by, 2025. Now you're saying by the end of…

Peter King: That's not right.

Morgan Pickett (Proxyholder): …another point.

Peter King: That's not right.

Morgan Pickett (Proxyholder): My second question, if you'll indulge me. The iron and steel industry's responsible for 7% of global greenhouse gas emissions, due to the use of metallurgical coal during production. With research showing that decarbonising the industry is now possible by 2040, and the International Energy Agency stating, in its Net Zero by 2050 report, that existing sources of production are sufficient to cover demand through 2050 for coking coal.

Westpac is continuing to arrange finance for companies expanding metallurgical coal production, like it did this year, when it participated in arranging a $4 billion bond for BHP. BHP has applied to extend the life of Australia's largest metallurgical coal mine, Peak Downs, by up to 93 years. This would see BHP continue to dig up and sell highly polluting coal beyond this century, despite the global commitment to reach net zero emissions by 2050.

Despite the massive impact metallurgical coal has on the climate, Westpac will not require its met coal mining clients to have emissions reduction plans aligned with the global climate goals in order to receive new forms of finance. Why won't Westpac expect credible transition plans for metallurgical coal miners, like it will for oil and gas clients?

John McFarlane: Peter?

Peter King: You're right, the policy is for credible transition plans on oil and gas. I think we will look at critical – sorry, credible transition plans over time for other high emitting sectors. I hope you're right, that there is a technological solution to produce steel in time, because that means met coal use will come down. I do hope you're right. But I also think the providers of capital to those companies will also look at the transition plans for those companies as well.

Morgan Pickett (Proxyholder): Thank you. It's not a matter of if I'm right, it's the International Energy Agency which…

Peter King: Well, let's hope they're right.

Morgan Pickett (Proxyholder): Thank you very much.

John McFarlane: Any other questions?

(Microphone Attendant): Mr Chairman, I would like to introduce Mr Paul Donohue.

Paul Donohue (Australian Shareholders' Association and New Zealand Shareholders' Association, Representative): Westpac's client report mentions the difficulty that some of your customers in oil and gas will have in meeting the 2025 deadline for a credible transition plan. Given that 2025 is not that far away and some of your customers don't appear to be making much of a move towards the transition plan, what are the funding ramifications for those customers when we get to that deadline? I'm talking in terms of new and existing lending facilities?

Peter King: I think if you take oil and gas, we've already made it clear about the new – what we want to do from a new perspective. On client transition plans, we'll be working very hard with them over the next two years to make sure they are credible and, if they're not, then we will work – then there'll be implications. I don't want to talk about what they are, because it's company specific, but if they're not meeting what we need then we will be taking action.

Paul Donohue (Australian Shareholders' Association and New Zealand Shareholders' Association, Representative): Thank you. So, without getting into company specifics, is it reasonable to assume there'd be no new lending to those customers…

Peter King: I think if you look at credit facilities today, we have a whole heap of covenants in credit facilities and if they're not met then we will go and look at them and work out the way forward. This will be the same approach with credible transition plans.

John McFarlane: Thank you.

Paul Donohue (Australian Shareholders' Association and New Zealand Shareholders' Association, Representative): Thank you. Second question. This one's about the National Energy Security clause in your criteria for lending to oil and gas. The climate report says that your positions on funding oil and gas customers are subject to something called National Energy Security, which is defined as, circumstances where an Australian, or New Zealand government, or regulator, determines or takes a public position, that additional supply is necessary for energy security and Westpac's funding is able to support such supply.

Quite an open-ended statement there, with a fair bit of room for manoeuvre. I've got a few questions about this. Can you clarify when you're talking about governments, is that federal rather than state governments and not a fossil fuel friendly state government having a position? What regulators might make such determination? What sort of scenario did you have in mind when you were forming that exemption?

Peter King: Just stepping back. We haven't had any directions. But, as we thought forward and we engage with governments, both state and federal and New Zealand and Australia, energy security's important for the country. If we get to a situation where that's at risk, they may direct us to do something. We're just trying to be clear that if we run it the way we want to run it, that's the policy. If there is direction from the country about a short-term need, say for energy, then we would need to be part of the solution.

Paul Donohue (Australian Shareholders' Association and New Zealand Shareholders' Association, Representative): Thank you.

John McFarlane: Thanks. Next question.

(Microphone Attendant): Mr Chairman, I would like to introduce Ms Kay Miller.

Kay Miller (Proxyholder): Thank you, Chair. In 2022, Eastern Australia suffered from unprecedented and catastrophic flooding events, damaging tens of thousands of homes and businesses and causing an estimated $6.8 billion in insured losses, making it one of the country's largest natural, catastrophic claims events ever. In 2022, Westpac proudly claimed that it had donated just over $2 million to natural disaster relief. But, Westpac made almost four times that amount in fees from arranging deals to companies expanding fossil fuels in 2022.

With natural disasters increasing in frequency and severity, the question is, is Westpac planning on arranging more deals for its fossil fuel clients, to help pay for the natural disaster relief packages it donates in future years?

John McFarlane: The two are not linked, but Peter?

Peter King: In terms of the natural disaster relief, that was directly to small business customers and our consumer customers for what they needed at the time. In relation to the oil and gas, the fossil fuel, I think we've covered that well in the previous questions.

John McFarlane: Yes, but the two aren't linked, we're not doing one because of the other. We're doing both.

Kay Miller (Proxyholder): Transparency in your profits from fossil fuel deals, compared to your disaster relief, that was the basis of the question.

John McFarlane: Yes. It's a question should be given more to disaster relief.

Kay Miller (Proxyholder): Okay, that's it. Thank you.

John McFarlane. Okay. So, we note that, thank you.

(Microphone Attendant): Mr Chairman, I would like to introduce Mr Noel Johnson.

John McFarlane: Thank you.

Noel Johnson (Shareholder): Hello.

John McFarlane: Hi.

Noel Johnson (Shareholder): I was not going to speak, but I have been a long-term shareholder, both personally and in my superannuation fund. I was born in Brisbane. Six generations of us here and I consider this my land. Australia, a land of drought and flooding rains. It's opportune that I follow on from the previous speaker. My property was flooded last year, 2022. It's not because of climate change, it's because Brisbane is built on a floodplain. We had a geologist out in our place, from the university, who drilled down 60 metres and said, this is Moreton Bay mud.

This whole area used to be a floodplain, thousands, or tens of thousands of years ago. I knew I took the risk building near a creek because I like the views, but I got five metres of water over my house. I did not blame climate change for that. As far as our policy goes, I don't think you're going to get to net zero because, quite frankly, I do not believe that fossil fuels are the problem. Surprise, I disagree with the previous speakers. The problem is simply overpopulation.

The world took thousands of years to get to the first billion people, and then, we accelerated to hundreds of years and we're down to the point that every couple of decades we're adding a billion people and they all require resources. Everyone is concentrating on electricity, fossil fuels, instead of the real problem is that we need to have a sustainable population. Now, I am a shareholder and as far as I am concerned, as part owner of this Company, I'm happy to direct the Board to invest whatever funds I have into fossil fuels, because I think they're helping the country.

As for nuclear, maybe just maybe, people would consider doing it if they realised thorium reactors, which are nuclear, do not explode or blow up and they cannot be used for making plutonium and atomic weapons, but everyone seems to want to build uranium-based reactors.

Moving onto my comments about the fossil fuels. People seem to forget that oil and gas have a lot more uses than just for burning. We have artificial plants down the front and most plastics come from gas or from oil-based products. Many of our clothes, unless they're natural fibres are synthetic, they come from oil and gas based products. The vehicles we drive in, the seats we sit on. Quite frankly, our lifestyle will be diminished and there are those who tell us that we can substitute fossil-based products with products grown, vegetation that is then processed. Trouble is, if we use vegetation to produce oil-based synthetics, we're going to run out of farmland for food.

Remember, we're getting a billion extra people every couple of decades and everyone's got to be fed. Quite frankly, all this talk about clearing pasture land for grazes and food doesn't make sense to me. People object to that and yet, up in Cape York, Daintree, we had untold acreage of pristine rainforest destroyed, to put in wind farms. We're having wind farms and solar panels taking over worthwhile agricultural land. If it's so cheap and so economical, perhaps your customers should start putting solar panels all over the buildings in the cities, because they're the ones using the electricity.

As I said, I didn't prepare a speech, so, I'm thinking on the run. I basically think that fossil fuels have a place into the future and most people forget, our chance of getting to net zero's almost zero because the largest polluter, China, does not have to reach a 2050 timeframe. It uses most of the fuels, it's getting most of its oil and gas from Russia at the moment. Our coal and our gas, surprisingly, have lower CO2 levels than most of the coal suppliers throughout the world. When we stop supplying, inferior quality coal including the Chinese own coal - and they have vast reserves, but it's poor quality coal, causes much more pollution than burning a tonne of our coal.

Moving on – sorry, I've lost my train of thought. Apart from the pollution that will come from them, everyone wants to buy things cheaply because of the cost of living, but guess what? We're buying everything from China which is probably the most polluting country in the world.

As for my comments, I do have a science degree, I have worked for decades in the agricultural field. I do know lots about grazing animals and, in retirement, I've spent lots of time with green groups and environmental groups and, yes, I own shares in Woodside. Guess what? I use the profits to support and buy into companies that are producing chemicals and minerals needed for new energy and for batteries. But I see our gas as being required for many years to come.

All this talk about stopping the nation's most profitable industries, to go into renewables which, I do not believe can be that profitable, because Woodside would stop tomorrow producing gas if it could make more money out of solar panels. Finally, I'd just like to thank the Board for their attention and I really wish people would look at the overall problem, instead of just focusing on one small fragment, which is fossil fuels. It's a worldwide problem, there are lots of interactions and what we do in Australia will make no difference because we only account for 1% or 2% of all global pollution. I thank you for your time.

John McFarlane: Thank you. You've obviously thought about this deeply. Next question please.

(Microphone Attendant): Mr Chairman, I would like to introduce Miss Nishtha Aggarwal.

Nishtha Aggarwal (Climate Energy Finance, Representative): Hi again, I was going to keep my question for 6B, but since we're bringing up transition plans, I'll raise it here. I would just like to highlight, there is a significant difference between requiring customers to disclose emissions at Scopes 1, 2 and 3, versus having that requirement for them to credibly reduce those emissions that are the cause of systemic climate change. It was pleasing to see, in the climate report, Westpac acknowledge the significant challenges that the oil and gas industry does have in credibly reducing those Scope 3 emissions that occur downstream from the use of oil and gas products.

Australia has the opportunity to go from 1% to 2% emissions, to actually play a leading role in helping the region decarbonise by 8% to 9% emissions by becoming a renewable energy superpower. My question is, would you be willing to bring forward those implications that you mentioned earlier, Mr King? Would you be willing to take an evidence base and agile approach and bring forward those implications potentially to next year, if that trajectory does not change, if we don't see the possibility of emissions reduction in that sector change?

Peter King: We said that the policy's two years, so 2025. But practically, we will be working with customers with haste now. No, I'm not going to change the policy, but I am indicating we're working pretty hard. We called out the 20 clients that we're particularly focused on in credible transition plans. That's happening now.

Nishtha Aggarwal (Climate Energy Finance, Representative): No, I appreciate that. I appreciate the reporting this year on how Westpac's engagement with those customers is going. Just the second question is around the transition plan taskforce, which is quickly becoming global best practice when it comes to transition plan disclosure. ASIC will be becoming involved in that space by 2025. Do you have plans to align either Westpac's and your customers disclosure framework to that kind of gold standard, the transition plan taskforce?

Peter King: This is a space where there are a lot of emerging standards, many and we will look at all of them, including the ones that you mentioned. The best thing we can get to actually is one. One of the challenges I think we've got is there's just too many. We've got to get to the best one and get there quickly.

Nishtha Aggarwal (Climate Energy Finance, Representative): Thank you.

John McFarlane: Thank you. Any more questions in the room? Yes.

(Microphone Attendant): Mr Chairman, I would like to introduce Mr Ian Porteous.

Ian Porteous (Shareholder): Thank you for listening to me. I'm a small shareholder. I would like to know – well firstly, may I congratulate that previous gentleman who started to talk a little bit of sense, first bit we've heard today. I would like to know whether the Board are going to be quick and ready to finance some coalfired power stations when this other claptrap that we've been hearing about today falls in the big heap that it will?

John McFarlane: Thank you. Peter?

Ian Porteous (Shareholder): I hope all those people are planning to walk home today.

Peter King: In relation to power generation, most of the capital that we have been deploying is into renewables. So, it's about 80% of power generation. In relation to new coalfired power stations, I don't think they'll be built in the country. They're too long lead times. There's a chance of gas, but I don't think coalfired power stations will be built.

John McFarlane: Okay. I don't think there are any more questions in the room. We've got questions online?

(Q&A Narrator): Mr Chairman, we have a question online from Helen Towler. Fossil fuels are still an important part of our energy security and for the ongoing prosperity of this country. Westpac should still finance oil and gas projects.

Peter King: I think that's a statement.

John McFarlane: Yes, thank you very much for that comment. We note that. Next question please.

(Q&A Narrator): Mr Chairman, we have a question from Stephen Mayne. Did any of the five main proxy advisors, ACSI, Ownership Matters, Glass Lewis, ISS and ASA, recommend a vote against the Board's recommendation on any of today's climate related resolutions? If so, what reasons did they give and have there been any material protest votes on climate matters. Also, please disclose the proxy votes now, rather than waiting until all the questions have been asked. AGM best practice is now to release the proxies to the ASX, along with the formal addresses. Will Steven Gregg commit to doing this next year, moving on from this old school, hold back the proxies approach that we've seen today?

John McFarlane: Okay, there are two questions there. All of them voted in favour of Resolution 5 and secondly, with respect to the future, I think I'll leave that to Steven Gregg next year, rather than now. Now, can you remind me what the question was?

Peter King: Any more questions? That's fine. Any more questions.

John McFarlane: No, but I had a comment on that. I've just forgotten what it was. Okay, next question.

(Q&A Narrator): Mr Chairman, we have a question from Leon Geisler. Not a question, but a comment in response to the Chairman's implied advocacy of nuclear power. If we were to consider the cost-effectiveness of nuclear power, this is why nuclear power is not currently on the table in Australia.

John McFarlane: Yes, I'm not promoting nuclear power, I simply made the point that if nuclear power is not embraced, then alternative sources will have to be used. That's simply the point I was making. If you're going to assess any form of production of electricity, you need to use the most renewable and the best available; whether it be nuclear or something else. Next question.

(Q&A Narrator): Mr Chairman, we have a question from Helen Towler. Will you please take a balanced view on this topic. Regardless of the other questions posed, we still need fossil fuels for some time to come, until we have nuclear.

John McFarlane: I think we've answered the question. Essentially, we've said that the country cannot move from brown to green instantaneously and will have to get there over time. The sensible thing for us to do is back people who will do that sensibly and recognise it will take time. Therefore, we will back the transition.

Now, Steven Gregg made the point that we should put the proxy votes up before you get the chance to vote. Now, I can't imagine that that's what you would like.

Peter King: Stephen Mayne.

John McFarlane: Stephen Mayne said that we should put the proxy votes up before you get the chance to vote on the discussion. I can't imagine that is what you would like to happen. But, if you do, let us know and we will do that, but it's not common practice. Shareholders tend to be able to want to express their opinion and that's the way we conduct it at the moment. It's fairly unusual, actually, to put the proxies up before the discussion and before the votes.

Again, I don't think that is likely, but I know Stephen has got very interesting views on this kind of thing and he'll probably advance that, once again, next year and then Steven can take that question. Can I take the next question please?

(Q&A Narrator): Mr Chairman, we have a question from Helen Towler. Thank you Chairman, for not being pushed on this issue.

John McFarlane: Okay, thank you very much. Next question please.

(Q&A Narrator): Mr Chairman, there's no further questions for this item of business.

John McFarlane: Okay, so that concludes the items discussion on this. The direct votes cast and the position of proxy votes received on item 5, prior to this meeting, will now appear on the screen. This resolution is now displayed on the screen, if you've not completed your voting card for this resolution, or voted on the online platform, do so now.

The next item of business is item 6, which has been requisitioned by a group of shareholders under the *Corporations Act*, shareholders can propose to move a resolution at the General Meeting. In this case, Market Forces and Australian Ethical Investments Limited, put forward the resolutions in item 6 with more than 100 signatories. Their Notice of Meeting contains an explanation on why the resolutions have been put forward, along with the Board's view. The resolutions are not recommended by the Board and, as previously stated this year, we've put forward our non-binding own advisory resolution on our climate change position and plans which has clearly received your support.

We therefore recommend shareholders vote against resolutions in item 6. Resolution 6A is required to be passed as a special resolution and item 6B is conditional on 6A passing. Resolution 6B requires that Westpac disclose in future annual reporting whether Westpac will require fossil fuel companies to have transition plans in place before '25 to be eligible to receive new financing. Which is a question we've already answered and a question - Westpac will assess those plans.

I now invite Kyle Robertson, from Market Forces, to speak to the meeting on resolutions in item 6. So, Kyle, welcome again.

Kyle Robertson (Market Forces): Thank you again, Mr Chairman. Thank you, Chairman and the Board and greetings to my fellow shareholders. This resolution presents our bank with an opportunity to take decisive action and stop contributing to the climate crisis. It was filed by hundreds of shareholders who are disappointed that Westpac is still yet to live up to its commitments to the Paris Agreement and are calling for climate leadership from this bank.

The reason for the resolution is simple; if Westpac continues to provide or arrange finance for companies that aren't transitioning away from fossil fuels, then our bank is recklessly endangering our climate, our economy and the safety of our communities. This resolution is certainly not asking for the bank to cut off all fossil fuel funding immediately. This resolution is not even calling for the bank to implement a new policy. It's simply a request that the bank take its existing policy and apply it across its full fossil fuel and energy portfolio.

Articulated in its 2023 Climate Change Position Statement and Action Plan, Westpac has already committed to requiring a credible, 1.5 degree aligned transition plan, from its upstream oil and gas customers from 1 October 2025 and without a credible plan, Westpac is not going to arrange bonds or provide corporate finance to those companies. This should be the expectation of all fossil fuel companies. It cannot just apply to one sub-sector, it should apply to any new finance that our bank can provide, or arrange, for those companies which enables them to grow or expand their operations.

Finally, to avoid Westpac doing more damage to our climate, it should be implemented as soon as possible. The overwhelming majority of fossil fuel companies in the world are not transitioning their businesses. Instead, they are increasing their production. If Westpac doesn't require them to reduce their emissions, it risks financially enabling them to trigger climate catastrophe. Terrifyingly, it looks like this is where we're headed.

Just last month the UN stated the world is on track to produce almost 70% more fossil fuels than is compatible with even a catastrophic 2 degrees of warming. At 2 degrees of warming, 99% of the world's coral reefs will be devastatingly impacted and may not recover, but that is just one example. Given this context, it is completely reasonable to require fossil fuel companies to have a credible emissions reduction plan by the start of 2025.

The IPCC and the International Energy Agency have both warned that emissions from existing, and committed, fossil fuels means that there's no room for any new coal, oil and gas projects, in a world hoping to maintain a safe climate. Yet Westpac continues to provide, or arrange, finance for companies developing new fossil fuels, while Australians suffer increasingly severe climate disasters.

This year Westpac participated in arranging a $1.3 billion bond to Santos, and this is a bond that won't mature until 2033. Santos has five new and expanded oil and gas projects in its pipeline and its plans would see an increase to the company's emissions of 40% by the end of this decade. In October, our bank loaned over $100 million to JERA Global Partners, one of the world's biggest gas producers, traders and power producers. JERA is actively trying to lock countries like Bangladesh and Vietnam into an energy system dependent on new gas, rather than renewables, is also a project partner in the Barossa Project, I should note.

But these examples are just some of many. Westpac has loaned over $5 billion to fossil fuel expansion since the Paris Agreement. As the Chairman and Peter King pointed out earlier, fossil fuel companies do represent a very small portion of our lending portfolio. But the reckless and irresponsible business strategies of some of those companies are endangering the other 99% plus of our customers. Our home loan portfolio makes up over 50% of our total lending business.

Australian homeowners are already feeling the horrific impacts of climate change, with increasing regularity. Having already borne the brunt of the Black Summer bushfires and the unprecedented 2022 flooding events, Australians are sadly having to adapt to more of the same as climate change worsens, but it is avoidable and Westpac does have a role to play. Our bank will continue to shoot itself in the foot if it continues enabling fossil fuel companies to pursue their expansion projects and condemn, not only all Australians, but also this Company, to a less prosperous, more insecure and increasingly dire future.

With the evidence concretely pointing to what needs to be done, this resolution offers Westpac the chance of the critical decade to be a global leader on climate in the finance sector. Thank you.

John McFarlane: Thank you, Mr Robertson. Thank you for putting that proposal to us. Good Scottish name, by the way. I now invite questions in relation to resolution 6A. Can I take the first question please?

(Microphone Attendant): Mr Chairman, I would like to introduce Mr Rad Piljic, thank you.

Rad Piljic (Shareholder): This is not quite related to what's up on the screen. I actually want to make a plea to the Board and management team, to ensure that we have a guarantee that we will always have a hybrid meeting. The way I understand, when treasury wrote the documentation and electronic thing for the Corporation Act, there's nothing in the *Corporation Act* to prevent you forcing us – not so much the management team, but the T20 can demand to change the constitution and force us to all go online. That's one of my biggest fear.

How do we change the constitution so that we get us retailers and investors who want to attend here, that can't be overridden by the T20. Because it happened to me in one company. The major shareholders decided, we will only have online and that was it. Is there some way – or do I put it – make a suggestion that we alter the constitution. I'm going to go directly to the future Chair.

John McFarlane: Thank you very much. I think we prefer to see shareholders face-to-face has been our policy. Where that's not been possible we've used a hybrid or online and certainly, that is our policy, that we will use hybrid. At the moment, I don't detect any change in that. I think you can be sure. I think what happens in the future will be what happens in the future but certainly, our policy is to have a hybrid.

Rad Piljic (Shareholder): Because I made a recommendation to Treasury that the default should be a hybrid meeting and the only person who can stipulate it's got to be online, either the federal health minister, or the state health minister. But that was all ignored by Treasury.

John McFarlane: Well, you're here today, so good. So, it's working.

Rad Piljic (Shareholder): I'd like to see a change in the constitution if it's possible, to ensure a bit of a guarantee.

John McFarlane: We'll take note of that and we do have some influence. Any other questions on this item?

(Q&A Narrator): Mr Chairman, we have an online question from Stephen Mayne. Congratulations on getting 91.4% support on the previous item supporting your climate action plan. This should have been disclosed five hours ago. You are clearly doing well in this area. However, I'm puzzled why this Board, the Australian Shareholders Association and so many other boards, are opposed to Australian shareholders being allowed to put up opinion-based resolutions which are common in the US. What are you afraid of? This is not to endorse the contingent resolution, but to support a constitutional amendment to allow shareholder opinions to be lodged. Please support a yes vote on this constitutional change like you did with the Voice.

John McFarlane: Look, Stephen, thank you very much. It isn't what we're going to do, but we note your request. Can I take the next question please?

(Q&A Narrator): Mr Chairman, there are no further questions for this item of business.

John McFarlane: That concludes discussion of this item of business. The direct votes cast and the position of proxy votes received on item 6A prior to the meeting, will now appear on the screen.

I will now formally propose Resolution 6A as a special resolution. If you've not completed your voting card for this resolution, or voted on the online platform, please do so now. The direct proxy votes received show an against vote for item 6A which will not be materially impacted by any votes cast today.

As Resolution 6A will not be passed, Resolution 6B will not be put to the meeting. So, this completes the business of the meeting.

Peter King: Just one sec…

John McFarlane: Before I finish? Okay.

Steven Gregg: John, if I can just make a quick comment, please. On behalf of the shareholders and the Board, I'd like to formally thank you and Chris Lynch, for your service over the last few years. It's been a wonderful ride and I wish you both the best in the future. So, thank you to both you and Chris.

John McFarlane: Thank you. The polls will close in 15 minutes on all resolutions. The results will be available later today and can be obtained by visiting the ASX on Westpac's website. For your convenience, please remain seated until directed to vacate your seats. Although I think there's – you'll be able to get out quite safely, by the look of the room. Link Market Services staff will collect completed voting cards, which should be placed in one of the ballot boxes.

If you haven't completed and submitted your voting card on the online platform, please do so now and so I now declare the meeting closed, subject to the finalisation of the poll. If you'd like to stay for refreshments with the directors and senior execs, please follow the directions of our staff. So, thank you all for attending, particularly those who have come a long way. We wish you a very happy, safe and happy holiday period and it's goodbye from me, and hello to him.

[END OF TRANSCRIPT]