



Westpac Banking Corporation

2020 Annual General Meeting

Sydney, Australia

Friday, 11 December 2020

Transcript

TRANSCRIPT

Mr Hartin:

Good morning Ladies and Gentlemen and welcome to the 2020 Annual General Meeting of Westpac Banking Corporation. My name is Tim Hartin and I am Westpac's Company Secretary. I'd first like to acknowledge the Traditional Owners of the land from where I speak today, the Gadigal people of the Eora nation, and pay my respects to their Elders past, present and emerging.

Before I introduce your Chairman, there are a few procedural matters that I wish to explain before we formally begin the meeting. This AGM is being conducted via the Link Market Services online platform. This is the first time Westpac has conducted a virtual AGM and we appreciate your patience with this approach. If you are a shareholder or proxyholder and would like to ask a question or make a comment at today's meeting, I would encourage you to submit your questions and comments now. There is no need to wait until the formal items of business to do so.

I can see that many shareholders are already online, however if you have issues with voting, submitting a question or have any technical difficulties, our online guide may assist. This guide is available on our website or from the downloads tab on the platform. We encourage you to download the guide and have it available in case you encounter a problem with participating via the platform or by phone. If you do require assistance during the meeting, please call Link Market Services on 1800 804 255. This number will be at the top of the screen during the meeting.

If you are on the teleconference, you can press star/one on your keypad for assistance and in the event of a major technical difficulty that requires us to pause proceedings, we will do our best to update you. This may include making an ASX announcement and updating our AGM website. If you're eligible and wish to ask a question using the platform, you can click the 'Ask a Question' box at any time during the meeting and follow the instructions. There is a box at the top right of the screen and another in the bottom left. When submitting a question, we ask that you indicate the item of business your question relates to when you submit it. Questions on all resolutions can be submitted now.

At an AGM where everyone is attending in person, shareholders can listen to questions and may modify or withdraw their questions in need. Unfortunately, this is not as easy online and we may have many duplicate questions. If we receive a number of questions that are similar or the same, we may only read out one or a selection of those questions, or we may consolidate or summarise them where they are largely the same, to allow shareholders as a whole an opportunity to participate. If there are multiple questions on the same topic and we have thoroughly responded to them, we may move to the next item of business so that we can allow shareholders, as a whole, the opportunity to participate in the meeting. If you have more than one question, it would assist if each could be submitted separately so they can be allocated to the relevant item of business.

If you've joined via teleconference and you're eligible to ask a question, you can do so by pressing star/one on your keypad. A moderator will then take your question and enter it into the platform for us to respond. For each item of business, we will read the questions received for that item and the name of the

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person who submitted the question. The Chairman will then respond. We ask that questions are relevant to the items of business of the meeting and to shareholders as a whole. Questions on customer or personal matters may not be put to the meeting as matters should be relevant to shareholders as a whole. Where appropriate, you may be contacted by one of our customer representatives after the meeting to discuss any such matters. Any questions considered defamatory, inappropriate or containing coarse language will not be put to the meeting. We will also not read out incomplete or partial questions, so please take care before submitting.

All resolutions at this AGM will be decided by a poll and voting eligibility is outlined in the Notice of Meeting. Shareholders and proxyholders may cast their vote at any time during the meeting through the online platform. To vote, you must obtain your online voting card by selecting the Get a Voting Card button, either at the bottom or the top of the screen. Once completed, the card can be submitted. You can edit your voting card at any time during the meeting by opening it again. Voting closes 15 minutes after conclusion of the meeting and the Chairman will advise when this period starts. At the conclusion of the meeting, a red bar will appear on the platform that will count down how long you have to cast your vote. You cannot vote over the phone. Just a reminder to please submit your questions on all resolutions now.

I will now hand over to your Chairman, John McFarlane.

Mr McFarlane:

Well, thank you, Tim. I'm informed that we have a quorum and I now open the 2020 Annual General Meeting of Westpac Banking Corporation. I would like to extend a warm welcome to everyone joining today and being part of our virtual meeting and thank you for your patience and understanding in using this platform. This isn't my preferred way of speaking to you all for my first time, but it's an example of how we are all having to adapt to our new environment. Under Westpac's constitution, a quorum is 50 shareholders present, in person or by proxy or by representative, holding between them at least 50,000 shares and I declare that a quorum is present.

All of the Board are here today, but given social distancing, a smaller number are on camera. Those with me are your Chief Executive Officer, Peter King, Peter Marriott and Craig Dunn, along with our Company Secretary, Tim Hartin. Our other Directors, Nerida Caesar, Alison Deans, Steve Harker, Chris Lynch, Margie Seale and Michael Hawker are also present. Members of Westpac's executive team are also attending the meeting virtually. In addition, Mr Noel Davis and Mr Paul Whitehead, who have each nominated themselves for election as a Director, in accordance with the Westpac constitution, are attending the meeting on the phone. I'd also like to welcome Westpac's auditor, Lona Mathis of PricewaterhouseCoopers who is here today. If you have any questions for Lona on the conduct of the audit or the content of the Auditor's Report, please submit your questions now and I will ask her to respond when we get to the relevant item of business.

So, before we move to the matters in the Notice of Meeting, both the CEO and I would like to address the meeting. 2020 has been like no other year in my lifetime, with natural disasters and a global pandemic. Westpac itself has also faced tough realities, particularly the shortcomings in our management of risk and compliance. Australia's oldest company now needs to change and fortunately, we

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have acted quickly. We have reset our strategy, made a number of changes to senior management, including the CEO and launched a program to reform the way we do business at Westpac. We are also in the process of renewing the Board, its committees and its approach to oversight. However, I do know from past experience that implementing meaningful change takes time and of course persistence and I ask for your patience as we work through it.

This is an enormously important time for Westpac and I am honoured to be Chairman at this juncture. I would however like to use this AGM to draw a line on the past and move to a better future. As I seek formal election to the Board today, I am seeking your support and I will now express my commitment to you. I come with 45 years' banking experience as a CEO, a director and as chairman, in Australia, the UK and Hong Kong. I have been a director of publicly listed companies for 27 years and have led financial services companies as CEO or chairman for 23 years. Prior to joining Westpac, I was chairman of Barclays and Aviva in the UK and was ANZ's CEO here for 10 years. Throughout my career I have helped companies navigate crises, including the early '90s recession, the Asia crisis and the global financial crisis. I have also led turnarounds in companies that have experienced similar issues to Westpac's. So, I come with relevant experience and a track record of fixing banks and making them successful.

For 30 years, Australian banks and Westpac, in particular, have experienced a favourable and relatively benign environment. However, with COVID, the AUSTRAC penalty, a weaker economic situation and an accelerating digital economy, it's clear we need to change substantially the way Westpac operates. Now I know very well these roles aren't for the faint-hearted. I am, however, fully committed to the company and to its recovery and with this, I ask for your endorsement to continue this process.

Now it can be said in no other way, 2020 was a disappointing year for shareholders. Many of the issues we faced were of our own doing, particularly the AUSTRAC matter. This simply shouldn't have occurred and I apologise genuinely on the company's behalf. Our 2020 results were depressed by higher COVID-19 related provisions as well as the AUSTRAC penalty of \$1.3 billion. In the Board's view, the best course of action was to reach a settlement and to draw a line on that matter. We have since improved non-financial risk and its management but still have more to do to ensure issues of this kind don't happen again. We must be firmer in our approach and more urgent in our actions and this has been captured in the Enforceable Undertaking we have agreed with APRA. Your Board will closely oversee this process.

Remuneration outcomes across the Group reflected our weaker financial performance and the AUSTRAC matter, with no short-term variable reward paid to our executive team or the general management group. However, it wasn't all bad news. We supported our customers through bushfires and storms and through the pandemic and it's been encouraging to watch most of these customers recover. Now I am conscious how important dividends are to individual shareholders and know how unhappy you have been about the decision not to pay a first-half dividend as well as the lower dividend for the year. We did in fact seek to pay a higher final dividend by having a fully underwritten dividend reinvestment program which avoided impacting our already strong capital but at the last fence, we were constrained by the regulatory cap of 50% of statutory

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profits. Going forward, I'm hopeful we will return to a more consistent dividend each half.

The past seven months has seen a great deal of change inside the Company that will provide a stronger foundation for the future. Peter King's appointment as Chief Executive Officer has been important. Peter's banking experience is extensive; he spent 25 years with Westpac and understands the bank like no one else and I am pleased to work alongside him. Immediately I commenced as Chair and Peter as CEO, we announced a new strategy to return the core, the Bank to core banking and focus on our home markets of Australia and New Zealand and we transferred several businesses into a new specialist businesses division to prepare them for exit, some of which have already been announced recently. We also put in place plans to make the company more streamlined, more efficient, and more digitally capable, with lower costs and a lower cost-income ratio while maintaining strong capital levels. These plans should enable us to improve performance significantly and enable us to return to more appropriate dividend levels.

We also commenced the process of Board renewal, to bring together the right mix of directors for Westpac. This includes committing to having the Board comprise at least 40% female directors. While we are not at our target at the moment, we are well advanced in bringing this to reality and building a strong, seasoned and diverse Board. During the year, Chris Lynch and Michael Hawker joined the Board – and both are seeking your support for election today. Chris brings strong management and finance experience, having held the role of Chief Financial Officer at both Rio Tinto and BHP, in addition to being the CEO at Transurban. Mike is a highly experienced non-executive director and has extensive financial services experience, including as former CEO of Insurance Australia Group and, prior to that, as one of the most senior executives at Westpac. I was also fortunate to work with Mike on the board at Aviva and am well aware of his capabilities as a director.

Alison Deans has decided to stand down today as a non-executive director after two three-year terms and I'll take this opportunity to thank Alison for her contribution, particularly on technology matters. In addition, former Chairman, Lindsay Maxsted, former CEO Brian Hartzer and former non-executive directors, Ewen Crouch and Anita Fung, stepped down during the year and I thank them all for their service to the Company. So I would like to thank the Board, the executive team and all people who have shown immense resilience over the year and embraced change internally. With their support, our commitment to customers has remained constant. But most of all, I thank shareholders for your support and understanding during this challenging time and for your patience.

In closing my address, while our environment remains somewhat uncertain in the near-term with the continuing impact of COVID on the economy, I do feel there is cause to be optimistic about the future and to assure you that the Board and I are fully committed to delivering a better future for your Company.

Now, let me hand over to Peter King, our CEO.

Mr King:

Well, thank you Chairman and good morning shareholders. My address today will focus on this year's performance and our plan to restore the value of your Company. The 2020 year was one of the toughest in Westpac's history. It started

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with devastating natural disasters, closely followed by COVID-19 which led to significant health and economic impacts for individuals, the community and many companies. In banking, sharp declines in economic growth, lower interest rates and higher impairment charges all impacted earnings and we were not immune. For the first time in 30 years, Australia was in recession and as a major bank, our fate is linked to the economy, and so we worked hard to support customers, employees and the financial system through this time of uncertainty.

At the peak of COVID, we remained open for business with half of our workforce, or over 22,000 Australian employees, operating from home. We provided significant support to the Australian economy through this period which included providing over 215,000 customers with repayment deferrals. In addition, we're bringing 1000 roles back to Australia to lift customer service and reduce our exposure to offshore disruptions. This initiative also contributes to Australia's economic recovery.

As CEO, I'm very proud of our people and their commitment to customers. It is this commitment that gives me confidence in our ability to meet the challenges before us. Against this backdrop, we've confronted our own issues. The AUSTRAC proceedings highlighted shortcomings in the management of risk at Westpac, particularly in financial crime areas. Over the year, we have completed a number of reviews, applied consequences and started to address our issues and before I talk about our response and the changes underway, I want to recap what happened. In November 2019, AUSTRAC commenced civil proceedings against us and while we had self-reported some compliance failings, the Statement of Claim highlighted new issues that were deeply disappointing. We thoroughly investigated the matters, with independent oversight and sought to reach agreement with AUSTRAC to resolve the proceedings.

In September 2020, an agreement was reached involving a Statement of Agreed Facts and Admissions and a \$1.3 billion civil penalty. That statement acknowledged that our program did not fully comply with the rules and these included reporting failures, inadequate transaction monitoring and not fully assessing the risks in some correspondent bank relationships. Shareholders are rightly disappointed and this simply should not have happened and I apologise. I also recognise that the civil penalty and the impact of COVID resulted in lower dividends and this made it hard for many of you. While our failings were not intentional, significant changes and consequences have occurred and as the Chair said, this included Board as well as management changes, along with remuneration consequences for those in the chain of responsibility. I and the executive team also took collective accountability with 2020 short-term variable rewards cancelled.

This matter has been a catalyst for change at Westpac. Reaching a settlement is an important step which allows us to direct our focus and energy towards getting things back on track. We have clarified the businesses and countries we operate in, refocusing on our core banking in Australia and New Zealand. The executive team has been renewed and we have reframed our strategy with three clear priorities and our first priority is Fix. Here we are addressing our shortcomings in the management of risk, reducing customer pain points which improves the customer experience, accelerating customer remediation and reducing the complexity of our systems. Strengthening our risk culture and management of risk is critical and this was reinforced by the findings of APRA's year-long review into

risk governance and the Enforceable Undertaking agreed last week. We acknowledge the findings of APRA's review, which are broadly aligned with our culture, governance and accountability reassessment released in July this year. While we have added over 400 resources to our risk and compliance capability, we accept we need to work faster. As part of the agreement, we will deliver an integrated remediation plan with independent oversight and we will report quarterly on our progress.

Simplify is our second priority. We are exiting some businesses and implementing a line of business operating model to speed up decision making, improve end-to-end accountability and ultimately enhance performance. As the Chairman mentioned, the specialist business division was established in April to bring together the non-core businesses and the recent sales of General Insurance and Westpac Pacific show our progress. Digital is a prominent feature of Simplify, helping to streamline activities and provide customers with a better service wherever, or however they choose to bank. We are underway with customer trials of our new Westpac banking app which speeds up the most common activities, particularly payments.

Our third priority is Perform. Here we aim to improve performance by building customer loyalty and growth through service, sharpening our focus on returns, and resetting our cost base. Given the environment, our priority right now is to continue supporting customers impacted by COVID and to help them get back on their feet. At the same time, we remain focused on balance sheet strength and improving returns on capital. Cost management is also vitally important and we are building our plan to reset the cost base of our slimmed-down Company.

The 2020 financial year was clearly disappointing, with reported profit down 66%. Much of the fall was due to our own issues, including the AUSTRAC penalty. However, COVID directly impacted us, contributing to slower loan growth, lower margins, higher costs and a material increase in impairment charges. While earnings were lower, our balance sheet is in good shape. Capital levels are strong and our funding and liquidity metrics are all well above regulatory minimums. We also increased bad debt provisions by over \$2 billion which provides flexibility to support customers and to deal with uncertainties in the year ahead. We also recommitted to our sustainability agenda with an updated sustainability strategy and a new Climate Change Position Statement released early this year. We worked with many stakeholders to balance the need to support customers and the economy while remaining true to our commitments, such as the Paris Agreement.

It has been encouraging to watch the economy quickly recover as states exit their various stages of lockdown. I've been particularly pleased to see many customers restart repayments. The government's support has played a critical role in helping Australian families and keeping businesses afloat and we expect the economic recovery to continue through next year. Nevertheless, some customers will find conditions difficult. The gradual unwinding of Government support must be offset by increased activity if we are to minimise the impacts on customers. At the same time, we are working hard to resolve our issues and simplify the business. We are underway but have much more to do. As CEO, my role is to build sustainable long-term value for shareholders and I am personally committed to see this through. Shareholder value is created by strong customer franchises; strong

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relationships; and by being there for customers when they need us. Right now, that means supporting customers and the economy through this pandemic.

Before I close, I want to express my gratitude to our people who have given so much over the year, while themselves, they have been working in a challenging environment. As I said at the beginning, I believe in our people and have every confidence we will get Westpac back on track. Thanks also to shareholders for your continued support and patience. I am committed to serving you.

Mr McFarlane:

Well, thank you, Peter. Each year many shareholders submit questions ahead of the meeting. Peter and I have dealt with some of the themes from these questions in our addresses. Some shareholders have also raised personal matters and while we take these matters seriously, the AGM is not an appropriate forum to discuss these. Where necessary, we have directed these questions to our internal representatives, but I do want to acknowledge you have been heard.

As Chairman of the meeting, I now formally declare the polls on all resolutions open. You may now vote on all resolutions if you've joined through the platform. During the meeting, we will display the number of direct and proxy votes received prior to each meeting on each resolution. This will not include votes submitted on the platform today. The results of the polls will be advised to the ASX and available on the Westpac website as soon as possible after the meeting.

I confirm that where undirected proxies have been given to the Chairman, they will be voted in favour of resolutions 2 to 4, to the extent permitted and voted against resolutions 5(a) and 5(b). Link Market Services is the returning officer for this meeting with responsibility for overseeing the voting process. Notice of Meeting has been distributed and I'll take it as read. A copy of the minutes of the 2019 AGM are available on our AGM website. Those minutes have been signed as a correct record.

So, we can now move to the matters in the Notice of Meeting. I'll introduce each item of business separately and then respond to questions for that item. The first item 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 2020. As I noted at the start, Lona Mathis from PwC is here and I'd like to thank her and her team for their service. Shareholders may ask questions of our auditor on the conduct of the audit, the preparation and content of the Auditor's Report, Westpac's accounting policies in relationship to the preparation of the financial reports and on the independence of the auditor. While inviting questions for the auditor, it's important to note that the Directors are responsible for the preparation and presentation of our Company's financial reports. The auditor's role is to give an independent opinion as to whether the financial reports are prepared in accordance with the Accounting Standards and the law.

Each year we ask shareholders to submit questions ahead of the meeting. This year we received around 70 questions, with the main themes focused on the lower dividend payment and accountability for the AUSTRAC proceedings. I covered these matters in my address, but I would reiterate that the dividends paid this year was the maximum possible paid on current regulatory requirements. That said, the changes in strategy that Peter and I spoke of are focused on

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improving performance with the aim of supporting more regular dividend payments.

So, we'll now move to questions on the financial reports and any other general questions. Questions on remuneration matters will be dealt with when the Remuneration Report is discussed, while questions on individual Directors seeking election or re-election will be addressed during the fourth and fifth item on business. If you wish to ask a question on the financial reports, or you have a general question or a comment on the management of the Company, please submit these questions now. So, can I have the first question please?

Moderator: Mr Chairman, we have a question from Craig Caulfield:

Question: This is the first virtual AGM I have been able to log in first time without having to frustratingly call the share registrar and be placed on hold up to 40 minutes whilst I miss parts of the AGM. Thank you for adding the simple additional login instructions at the login page to make it easy for shareholders.

Mr McFarlane: As we don't know the designation of the questioners, we've got your first name and second name, I do hope that you'll forgive me if we refer to you by your first name. So, Craig, thank you very much for the comment that you've made. It is nice to be complimented at the beginning of an AGM. We are working very hard to help shareholders participate in the meeting and we do appreciate the feedback, so thank you. Can I have the next question please?

Moderator: Mr Chairman, we have a question from Carol Limmer from the Australian Shareholders Association holding 1058 proxies, about 6.4 million votes.

Question: Our members are very concerned by the liquidity ratio add-on recently imposed by APRA and that this issue has only just come to notice and not previously disclosed. Could you comment on this and explain the financial and any other material impacts?

Mr McFarlane: Carol, thank you very much for the question. We of course are equally concerned about liquidity. Our liquidity is well above regulatory minimums. The issue was mostly related to the classification of two products in New Zealand. This issue is historical, we uncovered the issue, we reported it to APRA and to the Reserve Bank of New Zealand and we fixed the issue. We disclosed the issue in our New Zealand disclosures and it's only had a small impact in Australia. Given our high liquidity coverage ratio, no direct financial impact from APRA's 10% add-on to cash flow calculation of the LCR is made, but we're working hard to remove it. We're really disappointed that this issue did arise. We accepted APRA's action and we've dealt with the accountability for those involved. So, thank you. Can I have the next question please?

Moderator: Mr Chairman, we have a question from Angela Armitage.

Question: In August, 25 leading scientists at Australian universities wrote that achieving the Paris Agreement means the time had passed for any new fossil fuel infrastructure, including the proposed expansion of the gas industry in Australia. When will Westpac directly commit to stop funding companies and projects expanding the oil and gas industry?

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Mr McFarlane: Well, thank you, Angela. Now this is probably a question that we will get further questions on and so when we have that situation, what I'll tend to do is on the first question is to give a really full answer to the question and therefore if the question is repeated, I will answer it, but I will give a shorter answer later on. Now, the issue of fossil fuels is a really important issue for society and the country but also for Westpac. It's actually a very difficult issue for us because we're trying to support the country and the government in its own programs, we're trying to support our customers, we're trying to do the right thing with respect to the climate. Of course, there are lots of different opinions about this and we're not going to get everybody to agree to this. So, we're trying to find the best position possible and I think we have found it and we've been pretty open in our disclosure of our position.

We are supporting customers in the transition to this. We've said specifically that thermal coal mining exposures will be reduced to zero by 2030. We do see gas as a transitional fuel to support renewables. We are developing Paris-aligned financing strategies and targets as we engage in the process. But we will continue to lend to the sector in line with ESG policies and the commitment to the Paris Agreement and so while it's a difficult subject matter, and I know some people will prefer that we did otherwise, I think we've found the right sweet spot here at the moment. But, of course, it's a moving target and we will review our policies as time goes on. So, thank you for the question. Could I have the next question please.

Moderator: Mr Chairman, we have a question from Carol Limmer from the ASA.

Question: *What are Westpac's intentions about use of capital raised by recent and possible future business divestments? For instance, is there likelihood of a future return of capital to shareholders and/or increased level of future dividends?*

Mr McFarlane: Well Carol, thank you, that would be a really good problem to have and we're looking forward to anticipating, but we're not going to jump ahead on that matter. I'd like to see the cash in the bank and then we'll make the decision. Of course, we have made some announcements on this, as you know, but these are not completed yet, these transactions, so we'll wait for that to happen. Normally when we deal with that excess capital, we want to be adequately capitalised and well capitalised but we don't want to be excess in our capital base because it lowers returns. The first port of call is also to see whether we can invest that money in a very good business opportunity. Were that not to be the case, then of course we would return it to shareholders in the appropriate way at the time, and so this will be a matter for later but it is, as I said at the beginning, a very good issue to have. Can I have the next question please?

Moderator: Mr Chairman, we have a question from David Williams.

Question: *Page 41 of our FY20 results presentation shows that coal-fired electricity accounts for 9.2% of our electricity generation exposure, equivalent to \$400 million. However, according to page 51 of our Annual Report, coal-fired power accounts for \$300 million of exposure. Why is there a discrepancy in reporting and which is the correct figure?*

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- Mr McFarlane: Well David, thank you for the question. It's going to be a long meeting and I know that you just don't want to hear from me and I am going to direct some questions to other Directors on the platform, in this case to the Chief Executive Officer, to deal with this question.
- Mr King: Well, thank you David for the question. I would just make the point that our coal exposure is quite small in the context of our lending book and that is something that, as the Chairman said before, in relation to thermal coal we've committed to getting that down to zero by 2030. On your specific question, I'll take that offline and I'm sure the team will come back to you, but I would point you to our sustainability data is the best place to get that detail and we'll look to make future disclosures clearer.
- Mr McFarlane: Thank you. Could I have another question please?
- Moderator: Mr Chairman, we have a question from Carol Limmer from ASA.
- Question:* *Our members are disappointed that they were not previously informed about the need for an Enforceable Undertaking and the terms of that undertaking. What are the main elements and material impacts of Enforceable Undertaking with APRA over risk remediation in the wake of the AUSTRAC debacle? Why did Westpac not have plans acceptable to APRA already in place?*
- Mr McFarlane: Well, thank you, Carol. We didn't get advance notice from APRA on this and we too were disappointed with the EU. A lot of these matters really happened some time ago and we so we have in fact been working on them. We did disclose the EU to shareholders in accordance with our continuous disclosure obligations. The main elements of the EU are to develop a program with a more holistic and integrated approach to addressing the management of risk and as well as that, independent oversight with quarterly reporting to APRA. So, we have been responding to this and of course we're responding more specifically to the EU and we'll build such a program. We did have plans in place for the matters at hand, but APRA felt they weren't comprehensive enough and that we were not working hard enough on delivery and hence the EU, which has been enforced recently. But as I said, we weren't given advanced notice of the EU. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Carol Limmer from ASA.
- Question:* *What is likely approximate budget and over what time period for implementation of acquired major new IT systems?*
- Mr McFarlane: Again, this is a question which is a management question, so I'll ask the CEO if he'll address it.
- Mr King: Well Carol thank you for your question. This year in 2020 we spent around \$1.7 billion. Historically that number – that was a little bit higher than what we've done historically, which is \$1.2 billion to \$1.5 billion. Given the changes in digital, given the demand from customers and given the competitive nature of banking and disruption, we know that we will need to continue to spend money to improve risk and compete in the market, so I would expect similar levels of spend moving forward.
- Mr McFarlane: Thank you, Peter. Can I have the next question please?

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- Moderator: Mr Chairman, we have a question from Stuart Murray.
- Question: *I am a retired agronomist and now a cattle farmer near Narrabri. Whitehaven Coal's underground coalmine is my neighbour. We must urgently reduce greenhouse gas emissions to net zero by 2050 to avoid the catastrophic impacts of climate change. Why does Westpac continue to fund Whitehaven, which continues expanding the coal industry despite its climate impacts and does not appear to meet the criteria in the Managing Climate Change section of our Sustainability Report?*
- Mr McFarlane: Stuart, thank you very much for the question. As I said before, that we have in fact made a statement on coal in our disclosures and therefore I've already answered that question. Thank you. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Tracey Peter van Breda.
- Question: *Was the Board aware of WBC's failures to declare amounts over \$10,000 when dealing with foreign transactions? What is the Bank doing about this from today? The laws are the laws. What has happened to those staff who were involved?*
- Mr McFarlane: Tracey, indeed for your question and statement, it shouldn't have happened and we apologise for failings. But we did identify the failures and we did report them to AUSTRAC, and so, reporting has been full and we have in fact fixed this issue. Of course, consequences have been applied, as mentioned in our speeches and we'll now focus on moving forward on this matter. But again, let me end where I started, we do apologise that this has happened, but we fixed it. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Angela Armitage.
- Question: *Our Sustainability Report states the Bank will develop Paris-aligned lending criteria and portfolio targets for the oil and gas sectors. When will these be published?*
- Mr McFarlane: Angela, thank you. We are in fact working to develop Paris-aligned financing strategies and portfolio targets. We will engage our customers first before we develop our own approach and although we don't have the answer now, we will actually provide annual updates on this matter and so you'll know when we produce the Annual Report and our disclosures. Thank you. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Jack Bertolus.
- Question: *According to analysis from market forces, from 2016 to 2019 Westpac loaned \$1.1 billion to 11 companies whose business plans rely on the failure of the Paris Agreement, because those companies are either expanding the scale of the fossil fuel sector and/or relying on scenarios consistent with the failure of the Paris Agreement to justify their future business prospects. How does Westpac justify its continued funding of companies whose business plans are consistent with the failure of the Paris Agreement?*
- Mr McFarlane: Well, thank you very much, Jack. I did cover this extensively in my first answer, but I would say this. We are committed to the Paris Agreement. We follow that approach in our Climate Change Position Statement and our role is to work with customers and communities to respond to the challenge of climate change.

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Transitioning to low-carbon economy must be well planned and orderly and I think we've found the best position on this matter for the moment. But as I said, it's an evolving matter and our policy will evolve with the change in environment. Can I have the next question please?

Moderator: Mr Chairman, we have a question from Mauro.

Question: *Will the Board and Westpac senior executives admit that they have failed its shareholders? Where is the evidence of accountability for these failures? Will the Board and its executives claw back STI and LTI rem? If not, why not? There is a significant amount of non-accountability within the ranks of Westpac. What is being done about this? The waste and inefficiency around the use of expensive consultants is significant. What is being done about this?*

Mr McFarlane: Well, thank you very much for the question. It's been a difficult period for us, as you know, on this matter. People have been held accountable and we did release the accountability outcomes in June. It was applied to 38 employees and had \$20 million of consequences. However, we did in fact take further action than that. We reduced the short-term incentive for the executive team to zero for the 2020 year and where we were able to make adjustments, it's either malus or clawback, depending on the issue, we made adjustments where we could, but adjustments are not possible for most former employees as known uninvested rewards are still outstanding. Now details of all of this are in fact in the Remuneration Report. On the matter of consultants, I can assure you we use consultants where necessary, but we don't use them when they're not necessary. Can I have the next question please?

Moderator: Mr Chairman, we have a question from Rita Mazalevskis.

Question: *Chair and Board, I remind Westpac the Corporation Act states, section 250S, Questions and Comments by Members on Company Management at AGM: 1. The chair of an AGM must allow a reasonable opportunity for the members as a whole at the meeting to ask questions about or make comments on the management of the company. 2. An offence based on subsection 1 is an offence of strict liability. Note: For strict liability, see section 6.1 of the Criminal Code.*

Mr McFarlane: We, in fact, did give adequate capability for shareholders to ask questions. As in the Notice of Meeting, we provided that opportunity via online platform or via this teleconference. Our intention is to read out all questions or all comments. However, questions outside the meeting guidelines may not be read, particularly inappropriate, defamatory or coarse language questions, or questions that fall outside the business of meeting, for example, personal matters. So, I do believe that we have, in fact, given the shareholders perfect opportunities to ask questions to this meeting. Can I have the next question please?

Moderator: Mr Chairman, we have a question from David Watt.

Question: *As a farmer at Boggabri, I've witnessed firsthand the devastation Whitehaven Coal has brought upon our region, environmentally and socioeconomically. Whitehaven has a litany of environmental prosecutions, no social licence and is this very day before the Land and Environment Court facing another 10 charges, including illegal clearing. Planned expansions will threaten the groundwater we rely on. As a funder of Whitehaven, what has Westpac done to ascertain the concerns of impacted landowners?*

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Mr McFarlane: I think as shareholders know, we cannot comment on specific customers and as I've said before, our financing aligns with the Climate Change Position Statement. We're working to develop further Paris-aligned financing strategies and we're engaging with customers, as I've said before. We have made a statement on coal. It's public. We made it some time ago and I do think that we've found the right spot here. But I can't comment on the individual situation that you asked the question about. Can I have the next question please?

Moderator: Mr Chairman, we have a question from Viacheslav Vorobieff.

Question: *Why is Westpac giving away domestic business to Asian banks when it refused to lend to new coal mining projects in Australia? I heard at the last AGM in Sydney of Westpac bragging that it was the first bank in the world to sign up to the Paris Agreement. Is Westpac choosing to be a national boutique bank rather than a high street banker?*

Mr McFarlane: Thank you very much. As I said before, not everyone is going to agree with the actions we've taken. We've tried to find the right position. The decision really relates to thermal coal mining only and by 2030 and so based on external consultation, our risk management is really quite prudent here. I do believe that we've taken the right decision. We can't necessarily meet our position on climate change and support all customers at the same time. We're trying to do our best here. Can I have the next question please?

Moderator: Mr Chairman, we have a question from Rachel Rainey.

Question: *The new global report on how finance is blowing the carbon budget has identified Woodside's Burrup Hub gas developments in WA in the top 12 proposed fossil fuel projects globally that would make it impossible for the world to limit global warming to 1.5 degrees as agreed under the Paris Agreement. As a supporter of the Paris Agreement, how can Westpac be comfortable funding companies whose investments and growth plans would directly undermine the goals of this agreement?*

Mr McFarlane: Well, thank you, Rachael. As I said before, we cannot comment on specific customers and in fact I have addressed this issue that we're not going to get everybody to agree with our position. We've tried to find the right position and I believe we've found it and that position will develop as time goes on, but for the moment, we are where we are and we believe that we've found the right thing. We do have enormous shareholder support for the position we've taken and we do have government support for the position we've taken. But I do realise that people have different opinions here. Can I have the next question please?

Moderator: Mr Chairman, we have question from Peter Seligman.

Question: *A report published last week co-authored by the United Nations Environment Program, found that global oil and gas productions must decline annually by 4% and 3% respectively to be consistent with a 1.5-degree pathway. Page 35 of our 2020 Sustainability Performance Report shows our exposure to oil and gas extraction declined 15% year on year. Moving forward, do we expect our oil and gas exposure to continue declining in line with our commitment to the Paris Agreement?*

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- Mr McFarlane: Well, this is in a way a matter for our customers as well as ourselves and we'll engage with them on these matters going forward. But I've answered the general question here and I do believe that we've got the right position on this. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Natasha Michelle Lee.
- Question: *It was reported that APRA found Westpac's internal program to improve risks was not sufficiently far reaching to tackle governance gaps and had high execution risks. Also, new governance issues have continued to emerge. What is the Board and management doing to address the issues raised by APRA, given that fair warning has been given to address these shortfalls? If APRA imposes a penalty, why shouldn't the Board and management meet the full cost of the fine?*
- Mr McFarlane: I did say earlier that you would like to hear from other Directors and particularly you haven't heard from Peter Marriott yet, who is chairman of the Board Risk Committee. But I would say that we are taking this matter seriously. It's not a matter that's just arisen now. The Board, even before my time, has been in fact improving our non-financial risk matters, and in fact, the Board last year did take a penalty on its fees last year. But let me pass you to Peter.
- Mr Marriott: Thank you, Natasha and I'd reinforce the comments that John has just made. We certainly acknowledge we need to move faster in this area, but many of the building blocks that are required to make the changes that have been put in place, we're focusing very much on a new purpose, values and behaviours to make sure that they support a strong control environment. We've put in place what we call the CORE program, which is a very structured program with independent oversight to make sure we address the issues which have been identified and we've made a lot of progress and some of the first milestones indeed are already complete. As you heard in the earlier speeches, we've taken on an additional 400 resources to strengthen ourselves here, so our focus is on fixing things and moving forward and creating a foundation for Westpac in the future.
- Mr McFarlane: Well thank you, Peter. Clearly, we're very serious about dealing with these matters. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Peter Seligman.
- Question: *In October, the UNEP FI signed an open letter requesting that assumptions made by companies in preparing financial statements under IFRS be compatible with the Paris Agreement. As a member of the UNEP FI, what actions has Westpac taken to ensure its clients, particularly our large fossil fuel clients, disclose Paris-aligned assumptions in financial statements in line with the open letter demands? What consequences do clients face if such assumptions are not disclosed?*
- Mr McFarlane: Since I've answered a number of questions related to this general subject, I might ask this one to go to the Chief Executive.
- Mr King: Well, thank you, Peter. I think the overarching point here is we are committed to the Paris Agreement and we do follow the approach that's set out in our Climate Change Position Statement. I think of our role is to work with customers and communities to respond to the challenge here and that's what we'll do. We need to get the economy transitioning, is how we think about it and that means we will

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need to work with customers. Part of that transition to a low carbon economy, it needs to be well planned and orderly, so that's why there's not a one-size-fits-all approach; we've got to work with individual customers on their transition.

Mr McFarlane: Thank you Peter. Could I have the next question please?

Moderator: Mr Chairman, we have a question from Peter Sainsbury.

Question: *Page 51 of the Annual Report shows our exposure to gas-fired power generation is \$670 million, representing an increase of 26% on last year. Why is Westpac increasing exposure to this dirty fuel when we know that meeting the Paris Agreement means emissions from gas should decline?*

Mr McFarlane: Peter, again, thank you very much. It's government policy to transition to better fuels going forward and to that extent, we are supportive of that. So, I do think I've answered that question. Can we move to the next question please?

Moderator: Mr Chairman, we have a question from Peter Sainsbury.

Question: *The Annual Report, page 43, says BT obtained an A-plus rating for its sustainability investment strategy. However, I was unable to find any information on BT's Super investment holdings. Unlike other super funds, I can't see for myself what BT funds are invested in, so how do I know whether it's sustainable or not? When will the Board commit to transparency and disclose the list of companies that BT Super's money is invested in? Please note that BT's carbon intensity analysis does not address my concern.*

Mr McFarlane: Thank you very much, Peter. I'll pass this to the Chief Executive, but as you know, these businesses are available for sale once they're prepared for sale and so we will ultimately not have this issue to answer in the future. Peter.

Mr King: Well Peter thank you for the question. That matter is actually a matter for our subsidiary superannuation trustee, so they make the decisions on investments, it's not a Group decision and they make that decision based on the best interest of the members of the super funds. I would indicate that BT is committed to maintaining leadership here, but as the Chair said, this is not a business that we will be in at some point in the future.

Mr McFarlane: Peter, thank you. Can I have another question please?

Moderator: Mr Chairman, we have a question from Rita Mazalevskis.

Question: *Chairman, the Board skills matrix shows scores out of 10, not 11 like 2019. Why? It states strategic and commercial acumen 10 out of 10; financial service experience, seven out of 10; financial acumen, eight out of 10; risk, eight out of 10; technology, eight out of 10; governance, 10 out of 10; people, culture and conduct, nine out of 10; executive leadership, nine out of 10; listed co-experience, seven out of 10; international, six out of 10; customer focus, eight out of 10. With a \$1.3 billion AUSTRAC penalty, how are governance 10 out of 10, strategic and commercial acumen 10 out of 10 and executive leadership nine out of 10? Please explain to shareholders.*

Mr McFarlane: Well, thank you, Rita, for the question. The answer to your general question is really based on arithmetic. The board skills matrix is actually based on the number of directors, with relevant skills in those areas, not a score, it's not a

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percentage. Last year we had 11 directors, this year we have 10 directors. Can I have the next question please?

Moderator: Mr Chairman, we have a question from Natasha Michelle Lee.

Question: *Fix, Simplify, Perform sounds too much like a PR exercise. Can you advise if a PR company was paid to develop this motto? If so, what was the cost? What assurances can be given that you will walk the walk and that this isn't a hollow statement?*

Mr McFarlane: Natasha, thank you very much and I can assure you categorically this was led by the Chief Executive, not by a PR consultant. I've learnt over long periods of time that three is a very important number. Organisations can often execute three things. Once you increase that, the level of execution falls. So, I was very pleased when Peter came up with three priorities. They're the absolute right priorities and so it's not a PR exercise, it's not a banner and therefore there was no cost associated with this because he's already paid for this. So, it has more power because it came from the top. Can I have the next question please?

Moderator: Mr Chairman, we have a question from Rita Mazalevskis.

Question: *The Board's area of focus in FY20 says main conclusions of the reassessment was that aspects of our non-financial risk culture were immature and reactive. These events have led to a number of changes. It refers to establishing a Board Financial Crime Committee to oversee the implementation of Westpac's enhanced financial crime program and established a Board Legal, Regulatory and Compliance Committee. Why was the Board Financial Crime Committee established in November 2019 and dissolved in June?*

Mr McFarlane: Rita, thank you very much for the question. The AUSTRAC matter, when it arose, was a very burning question for us and therefore rather than have the Risk Committee deal with that as well as COVID and various other matters, we decided that specialist attention was needed on this matter and the committee was formed. However, once we dealt with the AUSTRAC matter and delved deeper in issues of non-financial risk, we realised that we needed to make this Committee more permanent, but also increase the scope of it to cover non-financial risk in general, and therefore, we then formed the BLRCC. It has the same people on that Committee, except for new directors that have joined it and it has the same Chairman, and so it's effectively the same committee in a different form with a broader agenda. So, thank you very much, nothing fundamentally was changed here, only that we moved into non-financial risk in a broader way. Can I have the next question please?

Moderator: Mr Chairman, we have a question from Rita Mazalevskis.

Question: *Does Westpac participate in the Australian Business Growth Fund with the Australian Government? Astonishingly, the Act says the Commonwealth may invest in Corporations Act companies for the purpose of providing small and medium Australian enterprises with access to capital, with no constitutional limits and ensure the fund does not become a Commonwealth company. Proposed initial invest was \$540 million. NAB, Westpac, CBA and ANZ agreed to commit \$100 million each, with Macquarie and HSBC \$20 million. What's the fund current value?*

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- Mr McFarlane: Rita, this I'll pass to the Chief Executive, but we did invest, as you know.
- Mr King: Thank you Rita, yes, we have committed to investing in the fund. In the first phase it's \$100 million. In relation to the fund and the value of it, it's too early. It's still really getting up and going, so there's not really a valuation that we can put on it.
- Mr McFarlane: Thank you. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Rita Mazalevskis.
- Question: *Westpac's Capital Note 7 were offered in November within Australia, not for distribution or release in the United States. The prospectus states this is to raise \$1.4 billion, with the ability to raise more or less. Westpac is issuing the notes to raise regulatory capital which satisfies the regulatory capital requirements of APRA. The proceeds received under the offer will be used by Westpac for general business purposes. AUSTRAC's penalty is \$1.3 billion. I ask the Board, was or is Westpac insolvent?*
- Mr McFarlane: Thank you, Rita. It's perfectly obvious that Westpac isn't insolvent, but why don't I pass this to the Chief Executive.
- Mr King: Thank you. Rita. The Tier 1 instrument that you're referring to, Westpac Capital Note 7, was issued and that's partly because we have some maturing securities, but we also need to continue to increase the level of Tier 1 capital in the Group to support growth. So that was the strategy behind that new note.
- Mr McFarlane: Thank you, Peter. Peter, Westpac has in fact got \$49 billion of core capital and is therefore well capitalised. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Kaz Kazim.
- Question: *Given the repeated failures of the Bank and losses suffered by shareholders, will the senior management and the Board not only forgo their bonuses, but also take a cut in pay?*
- Mr McFarlane: Thank you very much, Kaz. The matter generally arose last year and the Board did in fact take a reduction and so did management. However, it was sufficiently serious, we decided the executives at the top of the organisation would forgo their 2020 short-term incentives. There were individual consequences, as I said before, for 38 employees and the details are all in the Remuneration Report. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Amy Gordon.
- Question: *The Federal Government's cashless debit card is punitive and doesn't work. 81% of people who are forced to use the card right now are Aboriginal and Torres Strait Islander. The evidence shows that compulsory income management doesn't work, doesn't improve health and wellbeing outcomes, limits people's ability to purchase various permitted goods and services because of lack of cash and destroys people's right to privacy. Are you considering administering a national rollout of the cashless debit card?*
- Mr McFarlane: Amy, thank you. Look we aren't actually involved in issuing cards for this scheme. However, our merchant payments team are actually participating in a

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Government-led working group to determine how things go forward. Can I have the next question please?

Moderator: Mr Chairman, we have a question from Amy Gordon.

Question: *What is your policy on funding oil and gas?*

Mr McFarlane: Well, thank you, Amy. I will actually direct you to our very comprehensive Climate Change Position Statement that we've had for some time and we've updated this year and our position is very clear on that statement. Can I have the next question, please?

Moderator: Mr Chairman, we have a question from Francesco Amendola.

Question: *All other banks paid a dividend during COVID, although WBC let us down without money in a pandemic, while et cetera was still profitable.*

Mr McFarlane: Look thank you, I've already said, I know how important dividends are to shareholders, particularly when we have excess franking credits. We were very keen to pay as much as we could this year in dividends, recognising that, but unfortunately in the first half, we were constrained by regulatory guidance on dividends and we accepted that in the interests of the country. That said, it didn't really make any difference, because in the end we were required to pay out no more than 50% of statutory profits and that's what we paid, so the first-half decision really didn't have any effect ultimately and we paid what we could. We were hopeful to pay more, but we weren't permitted to do so. But I can't comment on the decisions on other companies. Can I have the next question please?

Moderator: Mr Chairman, we have a question from Rita Mazalevskis.

Question: *The Annual Report shows the Board Financial Crime Committee was in place for approximately only six months. It says remaining responsibilities of the Board Financial Crime Committee were assumed by the Board Legal, Regulatory and Compliance Committee. What are those remaining responsibilities?*

Mr McFarlane: Thank you, Rita. All of the responsibilities of the initial Committee were brought into the BLRCC and so they're identical. All we've done is increase the scope of it to legal matters, regulatory matters and broader compliance matters. So that has continuation from one Committee to the other. Can I have the next question please?

Moderator: Mr Chairman, we have a question from Rita Mazalevskis.

Question: *The Annual Report, under Fixing our Mistakes, says: "developments include establishing a Board Legal, Regulatory and Compliance Committee." Could you please tell us how these critical areas were managed prior and who was responsible for these areas previously?*

Mr McFarlane: Thank you. I'm going to ask Peter Marriott to perhaps expand a little bit on this. When the AUSTRAC matter arose a couple of years ago, the Board very quickly started to deal with these and other matters. But let me pass to Peter.

Mr Marriott: Yes, thank you John and thank you Rita. Yes, the areas of regulatory and compliance matters were previously covered by the Board Risk Committee and as John mentioned earlier, the decision was made to separate the responsibilities

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across two Committees so there could be additional Board focus and then that's the way that we're operating at the moment so we can address the remediation of some of the matters that arose from AUSTRAC and the APRA reviews.

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

Moderator: Mr Chairman, we have a question from Rowena Macrae.

Question: *I am a mother of five, business owner and farmer from Coonamble. APA's proposed western slopes pipeline would run through my property, transporting gas from Santos Narrabri Gas Project. APA would bulldoze every (sic) in its path, including our prime ag land and culture heritage site. Our communities do not wish to see a pipeline litter our backyards, community and farming future in New South Wales. As funders of APA and Santos, will WBC commit to stop this funding until these destructive projects are abandoned?*

Mr McFarlane: Rowena, thank you, as I've said before, that we just can't comment on individual situations and individual companies and I'm really sorry to hear of your issue. But I have actually answered our position on what we are prepared to finance and what we're not prepared to finance and it's all available to you in our Climate Change Position Statement. So, I would encourage you to look at that and again, I am sorry to hear of your issue. Can I have the next question please?

Moderator: Mr Chairman, we have a question from Hugh Venables.

Question: *Fossil fuel versus renewable lending, Westpac promotes itself as a sustainability leader, yet page 51 of the Annual Report demonstrates that we have \$3.2 billion of exposure to renewables, representing just one-third of our more than \$9 billion exposure to fossil fuels. How does Westpac expect to be taken seriously on climate change when our loan book is so heavily weighted towards fossil fuels?*

Mr McFarlane: Hugh, thank you. As I've said a lot on this subject, perhaps the Chief Executive might make a comment.

Mr King: Well, thank you, Hugh, for your question and yes, you're right, we have got a start in renewables, but we need to do more and I think the speed of growing that book will depend on the economy and transition. But we see it as an attractive market and something that we think is important for the country and will grow over time. We have said that we think a \$15 billion target for new lending by 2030 is currently our target, but if that market grows faster, then I think that is a market that we would like to grow in.

Mr McFarlane: Can I have the next question please?

Moderator: Mr Chairman, we have a question from Craig Caulfield.

Question: *What does Westpac see as the impact of repealing responsible lending for its approach to lending and credit risk appetite?*

Mr McFarlane: Well, thank you, Craig. The Treasurer announced in September that changes will occur to the responsible lending laws, but we haven't seen anything come out of Parliament yet and we're still waiting for the final legislation. That said, we really don't expect this to change our risk appetite. Can I have the next question please?

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- Moderator: Mr Chairman, we have a question from Craig Caulfield.
- Question: *If you believe these law changes won't change its approach to lending, do you support a proposal that removes consumer rights to take legal action for irresponsible lending?*
- Mr McFarlane: Since I've already had an answer to this, I'll just see if the Chief Executive has something to say.
- Mr King: Well Craig, in relation to the changes, we see that some ability to adopt differentiated approaches to assessing customers or not having a one-size-fits-all approach would be beneficial to our credit processes. But certainly, our view is that we don't want to lend to people where it's inappropriate, so it's always within that framing of how we think about our business that we will operate.
- Mr McFarlane: Thank you Peter. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Rita Mazalevskis.
- Question: *As a shareholder and owner of the business, like everyone else, I have serious concerns on the management of the business due to Westpac's ongoing shortcomings and failures. I request my genuine questions be read out in the AGM public forum for the Board to answer, just as they would be in a physical meeting. Thank you, Rita.*
- Mr McFarlane: Rita, thank you and I think you now know that we have in fact read all of your questions and have in fact answered all of them and were there to be more, we will answer those at the time. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Craig Caulfield.
- Question: *To the auditor, how did not one of 23 million transactions that AUSTRAC imposed a record Australian fine of \$1.3 billion not get picked up by the auditor over many years? How can shareholders trust the Auditor's Reports as having sufficient rigour and scrutiny?*
- Mr McFarlane: Indeed Craig, that is a matter for the Auditor, so I will ask Lona to address that.
- Ms Mathis: Thank you for the question, Craig. I might reiterate our responsibility as external auditors versus management, so our responsibility is to issue an opinion over the fair presentation of the financial statements in accordance with the *Corporations Act* regulations and also the Australian Auditing Standards. Management, conversely, is responsible for the preparation and presentation of the financials, as well as the accounting policies. You will see in our opinion for the 2020 audit, which is what I can comment on, is there is a key audit matter related to provisions and contingent liabilities. AUSTRAC was certainly a matter that we audited this year and as you've now read, the proceedings have been resolved. There is \$1.3 billion that has been provided for in the year-end accounts. After the conduct of our procedures, we were able to issue an unqualified opinion on the 2020 Financial Report.
- Mr McFarlane: Thank you, Lona. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Rita Mazalevskis.

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- Question:** *In October, Westpac announced it reached agreement with the Plaintiffs to settle both US bank bill swap rate class actions and Rosen Law Firm US class action. Why is it that Westpac has not reached agreements with its own longstanding aggrieved customers due to Westpac's ongoing shortcomings and failures in its management of risks?*
- Mr McFarlane:** Rita, I think we've said before that this question doesn't really relate to the business of the AGM and/or is a personal banking matter. So, can I just encourage you to deal with the person in the Bank who is already dealing with this matter and refer to our website for additional contact details? Can I have the next question please?
- Moderator:** Mr Chairman, we have a question from Craig Caulfield.
- Question:** *The Financial Review reported that the first significant WIB breach was in March 2015 when Westpac realised 400,000 foreign transactions, dating back to October 2013, were never reported. WIB was run by Rob Whitfield. Both so-called independent reports did not name one accountable person. Why not? Doesn't this demonstrate the hypocrisy between what Westpac says and what Westpac does?*
- Mr McFarlane:** If you'll excuse me, I will pass this to the Chief Executive, because I wasn't here at the time.
- Mr King:** Craig, thank you for your question. In relation to the Statement of Agreed Facts, that's where I would direct you to for what happened. That's public information about the facts and admissions in that particular case and we did undertake a thorough review, which did have a look back over a number of years and we released that review publicly in June. As we said, there's 38 employees with \$20 million of consequences. Now in relation to comments on individuals, that's not something I can go into because of privacy and some of the continuing reviews. But I would say that we have detailed in our Remuneration Report the impacts of those 38 people and where people had left the company and had nothing on foot, there was nothing that we could do in terms of consequences.
- Mr McFarlane:** Craig, I'd just add that this is a matter that's still under scrutiny by regulators and there really isn't much we can say beyond what's been said. Can I have the next question please?
- Moderator:** Mr Chairman, we have a question from Rita Mazalevskis.
- Question:** *Chairman and Board, have Westpac loans ever been assigned through the Federal Reserve Bank of New York?*
- Mr McFarlane:** Rita, thank you. I'm not aware of it, but Peter?
- Mr King:** No, Rita, no I can't recall us assigning loans through the New York Federal Reserve.
- Mr McFarlane:** Thank you, Peter. Can I have the next question please?
- Moderator:** Mr Chairman, we have a question from Michael John Friend.
- Question:** *Why has Westpac consistently offered savings and term deposit interest rates at the bottom end of the entire Australian banking market throughout the past 18 to*

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24 months and as a result, forcing formerly loyal shareholders and customers to move their funds away from Westpac to other financial institutions?

Mr McFarlane: Well, thank you, Michael John. I think this is a management matter, so I'm sure the CEO will deal with that.

Mr King: Michael, thank you for your question. I recognise this is a very hard time for savers, so if I look at the policy that we currently have in the country of very low, record low Reserve Bank rates, that flows through to deposits and in fact most deposit rates are now well under 1% and if not lower, so it is a very difficult time. In relation to Westpac's positioning in the market, we look to be competitive but obviously from your feedback, you don't feel like we are, but I'll take that as something to reflect on, thank you.

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

Moderator: Mr Chairman, we have a question from Larissa Baldwin.

Question: *Fracking the Beetaloo Basin in the Northern Territory would release 22 billion tonnes of CO2 equivalent emissions. In 2020 we have witnessed the impacts of climate change with catastrophic bushfires in Australia, leaving thousands homeless. People have lost lives and livelihoods. Westpac lent \$3.8 billion in June 2018 to Origin Energy and \$1.8 billion amendment and extension this year. New oil and gas basins is compatible with Paris targets. Will you review your lending regards to new oil and gas basins?*

Mr McFarlane: Larissa, thank you very much. It is a matter that we have dealt with extensively on this and we can't comment on specific customers. Can I have the next question please?

Moderator: Mr Chairman, we have a question from Rita Mazalevskis.

Question: *Chairman, I confirm my reference to long-standing aggrieved customers refers to many Westpac aggrieved customers across Australia, not just me. As a shareholder, I request my genuine general questions of concern be read out in the AGM.*

Mr McFarlane: Rita, as I said before, we have in fact read out all your questions, but as I've said, it is a personal matter and we can't deal with it at the AGM. Can I have the next question please?

Moderator: Mr Chairman, we have a question from John Robert Love.

Question: *John, please confirm that WBC will not follow the ANZ et al environmental climate change woke positions, et cetera, i.e. on not funding coal investments and replacement assets and resist the activist to the maximum extent. Remember, go woke, go broke. Focus on traditional banking please. Please confirm.*

Mr McFarlane: John, you make a very good point here, which is opposite of most of the questions that we've received so far and this illustrates exactly the dilemma that we face where we're trying to do the right thing here and we're not going to please everyone and I do think we've found the right position on this. Can I have the next question please?

Moderator: Mr Chairman, we have a question from Rita Mazalevskis.

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- Question: *Chairman and Board, could you confirm if Westpac obtains external litigation funding for complaints through companies such as Omni Bridgeway? This includes funding for Westpac complaints raised through AFCA. Funders create bonds in the litigation funding process. If these bonds include forged mortgages, what flow-on impacts do you see this having on Westpac?*
- Mr McFarlane: Rita, thank you. The simple answer is that we don't obtain external funding for our litigation. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Francesco Amendola.
- Question: *Why could (sic) the mid-year dividend be paid even if it was less than usual? It's inhuman and some of us rely on these dividends for food and shelter. Our human rights have been breached in a profitable company. It's unacceptable.*
- Mr McFarlane: Francesco I have a lot of sympathy for what you say because we would have preferred to pay a higher dividend. But unfortunately, we were subject to regulatory constraints and we did our best. I think all we can do now is work to make more profitability and that will therefore bring us into a better dividend paying position, recognising we have excess franking credits that we'd rather you have than we had. Can I have the next question?
- Moderator: Mr Chairman, we have a question from Rita Mazalevskis.
- Question: *Chairman, when a bank assigns all its rights and obligations of a customer's loan to a trustee and the Bank becomes the servicer, who is the true mortgagee?*
- Mr McFarlane: The answer, Rita, is that securitisation does not at all adversely affect the rights of the Bank to enforce a loan. The law in Australia is very clear on this point. There is a view supported by scammers in the US who charge for misleading advice that securitisation results in a loan not being able to be enforced and that's completely incorrect. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Craig Caulfield.
- Question: *The Financial Review reported a sweep of customers in May 2015, whilst headed by Rob Whitfield, were not properly identified. Westpac's obligation to link banks, transactions and customers commenced in October 2013. These failures resulted in sickening paedophilia, exploitation of children. Why did the Board allow such a soft, timid, unaccountable, apologetic, supposedly independent report from Promontory, who I warned against using at last year's AGM, to cover up malfeasance?*
- Mr McFarlane: Craig, thank you. We were very happy with Promontory. They were fully objective and independent and of course we had other external input into the matter. I don't know if Peter King or Peter Marriott might want to comment, because you go right back to 2013 which I can't really deal with.
- Mr King: Thank you Chair and thank you, Craig. Craig, I would just point you to the Statement of Agreed Facts again. That's where we've agreed through the Court process with what happened. Then in relation to the reviews, of course, there was the panel of three review of the Board as well as the review of management accountability. Both of those were thorough and we have published the outcomes for those publicly earlier in the year.

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- Mr McFarlane: Thank you. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Stephen Hart.
- Question: *Does the Board have a view on its multi-brand banking arrangement where for example you have Bank of Melbourne and Westpac branches near each other? Do you see as still a relevant strategy where the Bank competes with itself? Do you think it attracts different customers to the Group?*
- Mr McFarlane: I'm going to defer this to the CEO, but the truth of the matter is we do and the truth of the matter is we hope that these different brands do have a different approach to customers. Peter?
- Mr King: Well, thank you for your question. In relation to the series of brands that we run, it's not a unique strategy in the industry. There are other banks that run that strategy and we believe that we can attract more customers to the Westpac Group through having the Westpac brand, the Bank of Melbourne brand, the RAMS brand, the Bank of South Australia brand, as examples. So, we do believe that having those brands do bring customers into the Group.
- Mr McFarlane: Stephen, in fact we did actually discuss this at the Board yesterday and we're very keen that these brands have different offerings and different positionings to the marketplace and we do think it's an advantage. Can we have the next question please?
- Moderator: Mr Chairman, we have a question from Larissa Baldwin.
- Question: *Cultural heritage protection is everyone's business. The destruction, devastation and vandalism of cultural sites of the Juukan Gorge can never happen again. The Government report on Wednesday says there is no adequate laws to protect heritage at State or Federal level and that many sites are at risk of (sic) nationally. It states Traditional Owners were let down by Rio Tinto, WA and Federal Government, their own lawyers and Native Title Act. It recommends compensation removing gag clauses and moratoriums. How does Westpac ensure heritage protection?*
- Mr McFarlane: Again, this is a matter for the CEO, for Peter.
- Mr King: Well Larissa, thank you for your question. I can't comment on the specific case at point, but was pretty devastating and for us, what we will do is assess transactions on a case-by-case basis using the criteria that we have in our environmental and social risk policies and the bottom line will be, if we're not comfortable, we won't proceed with the particular transaction and we certainly will be working with customers if we think there is a problem.
- Mr McFarlane: Thank you very much. Next question please.
- Moderator: Mr Chairman, we have a question from John Robert Love.
- Question: *I am concerned about the exposure given to continued obvious activist questions re coal investments and the excess woke positions presented. Please confirm that Westpac will continue to make substantial corporate investments and stick to banking, not political (sic) correct statements.*

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- Mr McFarlane: John, again, I have in fact dealt with this. We've tried to find the sweet spot. We know that not everybody is going to agree with our position, but we're doing our best. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Craig Caulfield.
- Question: *Three forensic authorities chosen to report the AUSTRAC imbroglio to the Board failed. Expectedly, Switkowski, Schott and Carter wrote a sob story of an apology when not a single person was accountable. Smokescreen corporate accountability seeks to blame nobody and hence culture, accountability and governance continue to fail Westpac's substantial decline in capitalisation against ANZ, CBA and NAB is the market's affirmation. Chairman, please introduce a jolt of electroshock therapy to restore community trust.*
- Mr McFarlane: Well, thank you, it wasn't really a question but I note your feedback. I can assure you we're working very hard on the community trust and it's very important that we do that. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Fiona Deutsche.
- Question: *Could the Board clarify the fossil fuel exposure to BT Investment Management? Does our company intend to divest or reduce fossil fuel exposure to this business arm? Furthermore, could the Board comment on why BT has not supported shareholder proposals, calling for disclosure of climate risk? Lastly, ANZ's policy is to pressure its 100 biggest customers to come up with a climate transition plan. Will Westpac apply the same pressure to its customers?*
- Mr McFarlane: As the Chief Executive said earlier, that where BT is a trustee, it votes its best interests for investors not on behalf of Westpac and we can't actually direct what BT invest in. Their approach is actually outlined in its responsible investment policy. For our part, we produce a Climate Change Position Statement which is well read and well supported by shareholders and so I think that's the answer to your question. Perhaps the next question please?
- Moderator: Mr Chairman, we have a question from Kaz Kazim.
- Question: *Mr King has held senior positions with the Bank for over 15 years. Why weren't questions asked of the culture, resulting in the Bank becoming a basket case? Why haven't steps been taken to claw back some of the bonuses issued during those years of decline?*
- Mr McFarlane: Thank you, Kaz. We did in fact try to, where appropriate, recover vested deferred variable reward in limited circumstances for awards after 1 October 2019. But unfortunately, we had no ability to claw back or use malus for remuneration rewarded prior to that date, so we did what we could. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Athena Pezzoli.
- Question: *Westpac needs to remember that it is a bank. This constant attention on Paris is not sensible for an AGM. This AGM is failing because of this. Stop reading out these types of questions endlessly.*
- Mr McFarlane: Well, thank you for your comment, Athena. However, it is a shareholder meeting, these are questions proposed by shareholders. We did say that we would read

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out all questions unless they're repeated and they're not, and they're all slightly different and so we will continue to read out all questions. Where it's the same question, we'll give a short answer to it. Can I have the next question please?

Moderator: Mr Chairman, we have a question from Larissa Baldwin.

Question: *Overwhelmingly Traditional Owners oppose oil and gas fracking across the NT Beetaloo Basin due to risks of water contamination. Antisocial behaviour of fly-in fly-out workers, particularly alcohol and drug use, other health impacts, cancer and respiratory illness increase have been documented across US gas fields and cultural heritage. What weight does Traditional Owner consent and opposition have in your decision to lend to corporations? Do you have policies relating to free prior and informed consent?*

Mr McFarlane: Thank you Larissa. The Chief Executive has already dealt with a similar question. I don't know if he wants to amplify what he said before.

Mr King: I might just quickly add that we look at these on a case-by-case basis, but in terms of your point on free prior informed consent, that is something that is considered in our assessment of a transaction.

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

Moderator: Mr Chairman, we have a question from Francesco Amendola.

Question: *Mr Chairman, you say mid-year dividend was paid to the maximum, although I received zero dollars and hold 13,000 shares. Was a mid-year 2020 dividend paid and why did I not receive any money yet? WBC made a profit. Is this a breach of human rights in a state of emergency and are we justified in demanding it's adjusted?*

Mr McFarlane: Well, thank you, Francesco, it's certainly not a breach of human rights. However, we paid the maximum dividend that we were permitted to do by regulation and so while you didn't get it all at the beginning of the year, you will end up getting what we can at the end. Can I have the next question please?

Moderator: Mr Chairman, we have a question from Rita Mazalevskis.

Question: *With Pendal and BT Investment Management, were these divestments because Westpac has serious conflicts of interest, including by selling its own manufacture products, which were ignored and went unaddressed prior to the Financial Services Royal Commission? Why didn't Westpac acknowledge and do something about these serious conflicts earlier?*

Mr McFarlane: I will in fact ask the Chief Executive to comment here.

Mr King: Well, thank you Rita. In fact, in relation to Pendal, as it is now known, we started the exit of that process in around 2007, so we have been taking action for some time and we had gradually sold down that shareholding, thinking about the right time to do that and that was completed in the last 12 months in terms of that exit. But all along the way we had been managing that business, including any potential conflicts in that business.

Mr McFarlane: Yes, so the issue was a strategic decision. Can I have the next question please?

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- Moderator: Mr Chairman, we have a question from Dale Pittman.
- Question: *As a shareholder, is there anything I can do to encourage Westpac to pursue a more ethical, green investment policy?*
- Mr McFarlane: Well again, we invest in banking and so whereas we do have an investment management approach elsewhere in the firm, so I might ask Peter if he wants to amplify the previous statement he's made.
- Mr King: Well, I think the only thing I would add is, as I said, about financing of sustainable activities, that is a market that we think will grow. It might grow faster than what we think, depending on the transition speed and we see that as an attractive market to invest in.
- Mr McFarlane: Next question please.
- Moderator: Mr Chairman, we have question from Kaz Kazim.
- Question: *Given the repeated failures of Bank management and the Board over the years, what steps are you taking to encourage, motivate and reward the staff whose work was hampered by the KPIs set by the senior officers? What steps are you taking to improve and strengthen their ongoing learning to prevent the disasters of the past?*
- Mr McFarlane: Thank you. Well, the Chief Executive and I will both give an answer to this. From a Board standpoint, we set the policies of the firm and then management, particularly the Chief Executive, then forms programs to execute it. So, Peter?
- Mr King: Well, Kaz, in addition to that, I would talk about the line of business operating model that we have implemented this year, so that is about having a person who is running something such as home ownership or mortgage lending, looking at the financial performance, the customer performance and the risk management end to end of our businesses and we have that for all major lines of businesses and we do set that out in the Annual Report. So that is a change for Westpac and something that we believe will fundamentally change the way we operate this business. Also, we've backed it up with new purpose, new values, new behaviour expectations. We've refreshed the code of conduct expectations and that's being backed up with significant training on risk management and expectations of our people. We're also conducting regular surveys and feedback sessions to get real-time feedback from our teams.
- Mr McFarlane: Thank you, Peter. Next question please.
- Moderator: Mr Chairman, we have a question from Leong Wei Li.
- Question: *Mr Chairman and CEO, what does Westpac see as its competitive strength in the Australian banking sector now and aside from cleaning up the house in the short term, what does the Bank see as its five to 10-year strategic focus?*
- Mr McFarlane: Well, thank you very much, Leong. We do have a differentiated strategy here. We do have very strong franchises in Australia and New Zealand and that strategy is to focus far more on that going forward. But Peter, I don't know if you wanted to add anything.

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- Mr King: I think on how do we do well in this marketplace, we need to improve our service, we need to use technology to bring a better service to customers, we need to do what we say we do. The basics are very important in this. If I think about the five to 10-year range, I think banking will be very different. I think a lot of banking will be digital. A lot of what we do today in branches, service and related will actually be digital, so we need to improve and keep up with digital capabilities. Certainly, the new banks that target younger age groups do that without branch networks as an example. So, we have to be good in data, we have to be good in technology, but most of all, we have to have a wonderful customer base and a wonderful front-end team in the Bank that supports that customer base.
- Mr McFarlane: Thank you. The principle behind the strategic change is to focus more narrowly and generally that means that we do that a lot better because we're actually focusing on what really matters. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Athena Pezzoli.
- Question: *Has Westpac considered what would happen to the Bank if Paris climate view on fossils is proven to be wrong?*
- Mr McFarlane: Well as I said previously, we do take a science-based approach on our Climate Change Position Statement, because one of the things about this is that we can – the past we know about, the present we know about, but we can't predict the future and we believe we've taken the right position. Can I have the next question please?
- Moderator: Mr Chairman, there are no further questions for this item of business.
- Mr McFarlane: Well, thank you. We'll now move to the items of business requiring a vote. As Tim mentioned earlier, voting will be conducted by a poll. Shareholders were able to vote directly on the resolutions ahead of the AGM. Valid direct votes will automatically be counted in the poll on each resolution. Proxy forms and direct votes received before 10:00am Sydney time on Wednesday 9 December have been placed in the returning officer's possession. All members participating in this meeting and their validly appointed proxies, attorneys or representatives are eligible to vote via the online platform, subject to the voting rules and have been entered into the voting register. A person eligible to vote and representing more than one proxy, will have a voting card in the online platform for all those appointments on which to cast the whole of that voting entitlement. If you wish to leave the meeting early and are participating via the online platform, please make sure that you've submitted your votes first. Voting will close 15 minutes after the completion of the business of the meeting.
- The second item of business is to seek shareholder approval for the grant of performance shares rights to the Managing Director and the Chief Executive under the Long-Term Variable Report Plan for the 2020 and 2021 financial years. So, if you haven't done so already, please submit your questions on this item. A summary of the CEO's incentives is in the explanatory notes accompanying the Notice of Meeting and further detail is in the remuneration report. The Board believes it's important for executives, including the CEO to receive a high portion of the remuneration as performance hurdle equity, rather than in cash. We believe this encourages long-term thinking and aligns the interest of management with shareholders and we recommend this resolution to you. I now ask if there are any questions on resolution 2 relating to equity grants to the Chief Executive.

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- Moderator: Mr Chairman, we have a question from Craig Caulfield.
- Question: *Congratulations on your permanent appointment as CEO. Your financial capability and longstanding service to Westpac is well recognised. I have found that aspects of culture, risk, accountability, inquisitiveness and governance fall short. Westpac demonstrates a courtesy, respect and collegiate loyalty that of itself is positive. However, I have found this unchallenging collegiate loyalty to hide wrongdoing and prevent fair play. Do you squarely acknowledge these failings and if so, how will you address them?*
- Mr McFarlane: Well, thank you very much, Craig. We do acknowledge we had cultural challenges and failings and this is a responsibility of all of us, not just the Chief Executive here. So, we're addressing all of this through various programs, including the CORE program, which we're working with APRA on. This is very heavily detailed in our reports and I'd refer you to that. Can I have the next question please?
- Moderator: Mr Chairman, there are no further questions for this item of business.
- Mr McFarlane: Well, thank you. The direct votes already cast and position of proxy votes received in relation to item 2 will now appear on the presentation slides. Any proxies revoked before the start of the meeting today are not material. These votes do not include any votes already submitted on the platform today. As the meeting Chairman, any proxies given to me will be voted in favour of this resolution, unless specifically directed otherwise. In accordance with the *Corporations Act*, other than the proxies granted to me as the Chairman, all key management personnel and their closely related parties, are not eligible to vote any undirected proxies on this resolution and will abstain from voting any undirected proxies. Key management personnel includes the Directors. So key management personnel and their close related parties are, however, permitted to vote on this resolution and exercise their directed proxy on behalf of a person entitled to vote on this resolution. So, in accordance with the *Corporations Act* and the ASX listing rules, Peter King and any associated with Peter, are not eligible to vote on this resolution other than as an exercise of a directed proxy.
- I will now propose the following resolution: to approve the grant of performance share rights under the Long-Term Variable Reward Plan in respect of the 2020 financial year and performance share rights under the LTVR plan in respect of the 2021 financial year to the Managing Director and CEO, Peter King, in accordance with the relevant plan rules and on terms summarised in the explanatory notes in the Notice of Meeting. Approval is being sought for all purposes, including ASX Listing Rule 10.14 and sections 200B and 200E of the *Corporations Act*. If you've not completed your voting card for this resolution via the online platform, please do so now.
- The next item of business is item 3, adoption of the Remuneration Report for the year ended 30 September 2020. If you've not already, please submit your questions on this item. Under the relevant legislation, the vote on this resolution is advisory only and therefore non-binding. I will now take questions on the 2020 Remuneration Report.
- Moderator: Mr Chairman, we have a question from Carol Limmer from ASA.

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- Question: *Will the Board give shareholders an assurance that a comprehensive review of remuneration frameworks will be done in 2021 and confirmation that regard will be particularly paid to long-term interests of shareholders? In asking this, ASA again expresses disappointment about the recent liquidity ratio issue, an Enforceable Undertaking agreed with APRA.*
- Mr McFarlane: Well, thank you very much, Carol. We have in fact reviewed the executive remuneration structure and intend to implement changes in 2022 pending CPS 511. We're now finalising work. The revised draft of the new APRA rules have been released as well. I can assure you the long-term interests of shareholders will be a future of any change. I have a personal view on this in that I'm not in favour of short-term incentives. I would prefer remuneration to be much longer term for the most senior members of the Bank, including the Chief Executive. Now we don't have that position today, but I would like that to be a position going forward. We don't have a plan on that, but the Remuneration Committee will consider the issue this year and if it can resolve satisfactorily after discussing it with shareholders in general, then we may amend our approach, but at the moment we're applying an existing approach.
- We do have the Chairman of the Remuneration Committee, Craig. I don't know, Craig, if you wanted to add anything on this.
- Mr Dunn: Thank you John and thank you for the question, Carol. I think you've covered it pretty well, John. We have begun work on reviewing our executive remuneration structure and we intend to complete that work in the current year and as John said, on the basis that APRA finalises its new remuneration standards, we intend to apply that in 2022. As we've done in the past, we intend to interact and liaise and consult with shareholders and shareholder representation groups in providing feedback into that policy before making a final decision.
- Mr McFarlane: Thanks Craig. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Natasha Michelle Lee.
- Question: *A fine of \$1.3 billion was imposed for the AUSTRAC failings and executives and managers met \$20 million of this cost. While an investigation was undertaken to determine how the failings occurred, it is not fair that shareholders should bear the bulk of the cost. Clawback should be applied to bonuses previously vested and a mechanism applied to those who have already left the company. What actions will the Board undertake to address these concerns?*
- Mr McFarlane: Well, thank you, Natasha. I think I've already answered that, but I'll just repeat it. We did introduce prospectively to recover vested deferred variable reward in limited circumstances where we could for rewards after 1 October 2019. However, we had no ability to claw back or malus rem awarded prior to that date. Can I have the next question please?
- Moderator: Mr Chairman, we have a question from Rita Mazalevskis.
- Question: *Given Westpac's horrendous shortcomings in management of crimes and its failures, why did Westpac issue securities under its employee performance plans this year? For example, Carolyn McCann received 4590; Jason Yetton, 54,213; Les Vance, 22,227; and David McLean, 18,838. With shareholders being stripped of their dividends this year due to Westpac's ongoing failures, how does the*

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Board possibly think it's fair to reward staff, some of which have displayed their own shortcomings and failures?

Mr McFarlane: Well Rita, thank you. I will actually ask the Chairman of the Remuneration Committee to perhaps make a comment on this. But I would remind shareholders, I know how important dividends are, but I also would remind you that the stock price is also important and fortunately more recently the market has been kinder to shareholders and we tend to look at total shareholder return. But Craig, do you have any points?

Mr Dunn: Yes, thank you John and thank you for your question, Rita. So long-term variable reward is a part of or a critical part of the remuneration packages for Group Executives. If a Group Executive gets promoted during the year or joins the Group for the first time, which was the case for Carolyn, Jason and Les, then they are granted performance rights to recognise that increase in package or the fact that they've joined the Group for the first time that year and that's the basis for the award of those performance rights. I should say also that they will only vest as LTVR if the performance hurdles are met under the scheme. Thanks, John.

Mr McFarlane: Okay, thank you and also, I'd just remind you that these rights don't relate to the present but relate to the future and we have to perform for these to vest. Now, can I have the next question please?

Moderator: We have a question from Craig Caulfield.

Question: *John Lonsdale of APRA has recommended greater disclosure, especially around non-financial metrics in rem. I acknowledge improvements have been made, but it is still opaque reading our Annual Report to see granularly, who and how short and long term incentives are calculated. Would you be happy to meet to discuss a range of additional metrics that can be considered, as all too often I hear that measuring NFM is too difficult?*

Mr McFarlane: Thank you. I will ask the Chairman of the Remuneration Committee to comment, but we actually do explain the scorecard in the Remuneration Report, and 50% of the short-term incentive is based on non-financial metrics, Craig.

Mr Dunn: Thank you John, and thank you for your question Craig. We have gone out of our way to enhance and improve the disclosure in our Remuneration Report over the last several years. The Group score card that applies for the determination of short-term variable reward, is very clearly set out in the Remuneration Report, as are the judgments made by the Board in determining whether to apply, or allocate, a reward, short term variable reward. I think our disclosure is consistent and, in many ways, leads the market.

Mr McFarlane: Thank you. Any other questions please on this item?

Moderator: Mr Chairman, we have a question from Craig Caulfield.

Question: *Queensland MP Warren Entsch told Treasurer Josh Frydenberg that shareholders suffer the most from gigantic fines that AUSTRAC rightly imposed. Individual perpetrators get away scot-free. What financial penalties applied to past Executives who headed with at the height of the AUSTRAC failures? Please explain why your shareholders are financially penalised for past Executives' failures.*

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- Mr McFarlane: Craig, thank you very much. But we did apply accountability on this matter, so it wasn't just shareholders that actually carried the burden. The CEO had no short-term incentive in 2019, and all prior short-term incentives and long-term incentives were forfeited. Two current Execs had adjustments to the full year of 2019 short term incentives. One former Exec had short term incentives for '19 and prior years reduced to zero. All of that is detailed in the Remuneration Report, so it is not accurate to say that the Executives did not bear any responsibility here. Could I have the next question please?
- Moderator: Mr Chairman, we have a question from Kaz Kazim.
- Question: *Educational programs to encourage honesty and integrity start amongst the operating staff. As Aristotle observed, courage is the first of human qualities, because it is the quality which guarantees the others.*
- Mr McFarlane: Well, Kaz, I congratulate you on your reading, and thank you for your comment, and we will note that feedback. Can I have the next question please?
- Moderator: Mr Chairman, there are no further questions for this item of business.
- Mr McFarlane: Thank you. The direct votes already cast, and the position of proxy votes received on this item 3 prior to this meeting, will now appear on the presentation slides.
- Mr McFarlane: Any proxies revoked before the start of the meeting today are not material. As the meeting Chairman, any proxies given to me will be voted in favour of this resolution, unless specifically directed otherwise. In accordance with the *Corporations Act*, other than relationship to proxies granted to me as the Chairman, all key management personnel, and their close related parties, are not eligible to vote on this resolution and will abstain from voting. Key management personnel, and their close related parties, are however permitted to exercise a directed proxy on behalf of a person entitled to vote on this resolution, and I will now formally propose the resolution to the meeting to adopt the remuneration report for the year ended the 30th of September 2020.
- If you have not completed your voting card for this resolution via the online platform, please do so now. Only eligible voting card holders can vote on this item.
- The fourth item of business is resolution 4, regarding the re-election and the election of Directors. Please submit your questions in relationship to this item now. Under Westpac's Constitution, one-third of the current Directors, excluding the Managing Director, and any Director filling a casual vacancy, must retire by rotation at each AGM.
- Peter Nash is retiring by rotation at this meeting, and being eligible, is offering himself for re-election in accordance with the Constitution. I was appointed a Director of the Board from the 17th of February 2020, and I am seeking election at this meeting in accordance with the Constitution. Chris Lynch was appointed a Director of the Board from the 1st of September 2020, and is seeking election at the meeting in accordance with the Constitution. Finally, Michael Hawker was appointed a Director of the Board from the 1st of December 2020, and is seeking election at this meeting in accordance with the Constitution.

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I would like to advise that the Board, other than Directors concerned in each case, has considered the performance of each Director standing for re-election, or election, under this item. Following this review, the Board recommends that Peter Nash, myself, Chris Lynch and Michael Hawker be submitted for re-election, or election, to the Board. Each of these Directors abstaining from making a recommendation on their own election or re-election.

The re-election of Peter Nash is the next item of business at today's meeting. Peter was appointed a Director in March 2018, and I now ask Peter if he would address the meeting.

Mr Nash:

Thank you Chairman, and good morning. It has been a privilege to serve as your representative, and I am grateful for the opportunity to address you today. I joined the Board just two and a half years ago, and am committed to overseeing the significant work underway across Westpac, to address the issues raised by the AUSTRAC proceedings and its risk management shortcomings. I am Chair of the Board Audit Committee and Chair of the Board Legal Regulatory and Compliance Committee. This latter committee was set up this year to oversee the necessary change to lift the culture, governance and accountability of your company, and I take that role very seriously. My career experience has positioned me to perform this role effectively. My professional focus has predominantly been in financial services as an auditor and advisor at KPMG in Australia, including Chairman of the Australian partnership from 2011 to late 2017. In this role, I was responsible for the overall governance and strategic direction of KPMG in Australia. In my main time at KPMG, I was auditor of one of Australia's Big Four banks for a number of years, and provided advice on a range of topics, including business strategy, risk management, internal controls, business processes, and regulatory change. I also have significant regulatory experience, having provided advice to many Government businesses at both a Federal and State level. From regular engagement with both APRA and ASIC, I am also a former member of the Business Council of Australia and its Economic and Regulatory Committee. My other key roles are as Chairman of the Johns Lyng Group, and a Director of ASX Limited and Mirvac. Outside the corporate world, I also serve on the Board of two not-for-profits that are close to my heart. The General Sir John Monash Foundation, and The Koorie Heritage Trust.

I am well aware of the difficulties faced by shareholders over the recent years, particularly in the past 12 months with the lower dividend and reduced share price. I and the rest of the Board are committed to supporting this company return to its rightful place as a leading Australian and New Zealand company, and deliver better outcomes for shareholders. I bring the necessary skills to assist in this transformation to strong governance and effective oversight. Thank you, and I would be honoured to have your support.

Mr McFarlane:

Thank you Peter. Are there any questions?

Moderator:

Mr Chairman, we have a question from Carol Lima.

Question:

To what extent was Mr Peter Nash aware of AUSTRAC matters during his first term as Director, and did he address the concerns? Could he tell shareholders why they should entrust him for another term?

Mr McFarlane:

Carol, thank you. It is really a matter for me rather than Peter, so I will address it. The Board was first advised of the non-reporting of these issues in 2018, and

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Peter would have first learned of these matters then. Peter joined the Board in 2018, which was after when the AUSTRAC issues first occurred. Peter has led much of the work of the Board in overseeing the investigation and resolution of the AUSTRAC matters. Peter has been an outstanding Director, who has been a strong advocate for shareholders, and has a full record in attending all meetings. Any other questions on this matter?

Moderator: Mr Chairman, we have a question from Craig Caulfield.

Question: *Congratulations Mr Nash on your recent membership to the Banking and Finance Oath. This demonstrates a personal commitment to upholding the eight values. Westpac has increased VFO members to 205 from a low base. This still means 199 of 200 Westpacians do not subscribe to the Oath. Would you agree to promote the benefits of voluntary membership as a means of assisting Westpac restore trust and confidence? Is a target of 500 members by 2021 AGM unreasonable?*

Mr McFarlane: Thank you Craig. We do as a company support the Banking and Finance Oath and its principles. I have in fact signed it, and all Group Executives are signatories to the Oath, and we do support employees being signatories as well, and so on this we are fully aligned. Can I have the next question please?

Moderator: Mr Chairman, there are no further questions for this item of business.

Mr McFarlane: Thank you. The direct votes cast, and the position of proxy votes received in relationship to resolution 4a prior to this meeting, will now appear on the presentation slides.

Mr McFarlane: Any proxies revoked before the start of the meeting today are not material. As the meeting Chairman, any proxies given to me will be voted in favour of this resolution, unless specifically directed otherwise in the proxy form. I will now formally propose the following resolution that Peter Nash be elected as a Director. If you have not completed your voting card for this resolution via the online platform, please do so now. Only eligible voting card holders can vote on this item.

As the next item of business relates to my election, I will vacate the Chair, and ask Peter Marriott, Chairman of the Board Risk Committee, and our longest serving Director, to Chair the meeting.

Mr Marriott: Thank you Chairman. Item 4b is to consider the election of John McFarlane as a Director. John was appointed a Director in February 2020, and as Chairman of Westpac from 1 April 2020. John has already addressed the meeting in his opening address. At this point, I will ask if there are any questions on the election of John McFarlane?

Moderator: Mr Marriott, we have a question from Craig Caulfield.

Question: *Congratulations on becoming Chair of our iconic Australian institution. You may feel you have landed in the frying pan. Please consider 1) meeting three longstanding customers each year who have legacy complaints to understand their views 2) where a customer dispute cannot be resolved, could you ensure customers can face into Court on an equal footing 3) could you commit, as NAB's*

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Chronican did, that all documents pertaining to customer complaints will be provided?

Mr Marriott:

Thank you Craig for your comments, and I can assure you that John has been a very active Chairman, and has been taking all these sorts of matters in consideration during his time, and I am sure that he will take your thoughts on-board. Are there any other questions?

Moderator:

Mr Marriott, there are no further questions on this item of business.

Mr Marriott:

Very good. There being no further questions, the direct votes cast, and the position of proxy votes received, in relation to resolution 4b prior to the meeting, will now appear on the presentation slides.

Mr Marriott:

Any proxies revoked before the start of the meeting today are not material. As Chairman for this item of business, any proxies given to me will be voted in favour of this resolution, unless specifically directed otherwise in the proxy form. I will now formally propose the following resolution, that John McFarlane be elected as a Director.

If you have not completed your voting card for this resolution on the AGM online platform, please do so now. Only eligible voting card holders can vote on this item. I will now vacate the Chair and hand back to John McFarlane who will continue as Chairman of the meeting.

Mr McFarlane:

Thank you Peter. Item 4c considers the election of Christopher Lynch, who is seeking election as a Director, and I will now ask Chris to address the meeting.

Mr Lynch:

Thank you Chairman, and good morning. It is an honour to join the Board, to stand as your representative, and be a part of the future of Westpac. I believe a strong banking sector is fundamental to the future of Australia, and in fact the global economy, and I am keen to help if I can. I was delighted to accept an invitation to join the Westpac Board, and play whatever role I can in the next chapter of our company's journey.

I bring significant experience to your Board, having held senior Executive positions across the resources and infrastructure sectors, both in Australia and internationally. I began my Executive career at Alcoa, working initially in Australia at Geelong, in Melbourne, Perth and Sydney, and internationally in the USA on two separate occasions, and in Switzerland. My Alcoa career was primarily in finance, but also in running the rolling business in Australia. I then spent seven years at BHP, five as CFO, and then as Executive Director and Group President of the Carbon Steel Materials business for BHP globally. This business included iron ore, coal and manganese. I retired from BHP in July of 2007. In 2008, I joined the AFL commission as a Commissioner. I also joined Transurban as Executive Director and CEO. In 2011, I joined the Board of Rio Tinto as a Non-executive Director. In March of 2013, I was asked to take on the role of Finance Director and Global CFO, based in London. After overseeing a significant improvement in the financial position of the group, I retired from Rio in September of 2018.

I am not a banker, but in my various roles I have been a significant customer of banks. As CFO for the world's two largest miners, I have a strong understanding of finance, particularly in large companies. I also have significant experience in

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managing and monitoring large infrastructure and engineering projects. In all my roles, I have had a strong drive for generating superior returns to shareholders. I would welcome the opportunity to contribute my skills and commitment to serving this company, and representing you on the Board, and I would be honoured to have your support.

Mr McFarlane: Thank you Chris. Are there any questions?

Moderator: Mr Chairman, we have a question from Craig Caulfield.

Question: Congratulations on your appointment. I understand Directors do not manage the company. Westpac has pleasingly adopted modern Model Litigant Principles, which make it a little fairer when a customer is in a serious dispute. Where Westpac passes cases to external lawyers, we, 16,000 bank warriors and BRN members and followers, experience patent breaches of MLA, MLP and fair play. Gadens in particular is a repeat offender with an aggressive culture. Will you engage Westpac Executives to review external lawyers used?

Mr McFarlane: Thank you Craig. We do require our external law firms to comply with Model Litigant Guidelines, and do appreciate the feedback. Can I have the next question please?

Moderator: Mr Chairman, there are no further questions for this item of business.

Mr McFarlane: Well thank you. The direct votes cast, and the position of proxy votes received in relationship to resolution 4c prior to the meeting, will now appear on the presentation slides.

Mr McFarlane: Any proxies revoked before the start of the meeting today are not material. As the meeting Chairman, any proxies given to me will be voted in favour of this resolution, unless specifically directed otherwise in the proxy form. I will now formally propose the following resolution, that Christopher Lynch be elected as a Director. If you have not completed your voting card for this resolution, please do so now via the online platform. Only eligible voting card holders can vote on this item.

Item 4d considers the election of Michael Hawker, who is seeking election as a Director. I will now ask Mike if he will address the meeting.

Mr Hawker: Thank you Chairman, and good morning everyone. It is a great honour to be invited to join the Westpac Board. I believe I have the right experience to both contribute to the Board, and serve as your representative. I have extensive experience in the financial services, having worked in financial services businesses over the past 36 years. Managing business and financial markets, retail and business banking, funds management, as well as life, general, and health insurance, both here in Australia and internationally. I also have specific experience at Westpac as an Executive, working for the Bank between 1995 and 2001, which included running the Group's financial markets businesses, and the retail and business banking operations both in Australia and the Pacific Islands. I also have seven years Chief Executive experience, as the Managing Director and CEO of Insurance Australia Group from 2001 to 2008. Since concluding my Executive career, I have worked on international company boards, both in Australia and overseas. These have included Aviva plc, which is headquartered in the UK, and Macquarie Group, both from which I have recently retired. My

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current commitments are as a Non-executive Director of BUPA globally, and Deputy Chairman of the BUPA business in Australia. I am also the Lead Independent Director of Washington H. Soul Pattinson, and a Director of the Museum of Contemporary Art. Previously, I have been the President of the Insurance Council of Australia, Chairman of The Australian Financial Markets Association, a board member of The Geneva Association, and a member of the Australian Government's Financial Sector Advisory Council. Finally, I have sat on regulated financial services boards since 1989, where I have had the opportunity to chair audit, risk, remuneration, compliance and regulatory committees, which has given me extensive experience of working with financial services regulators around the world.

I believe my experience as both an Executive and as a Director gives me the appropriate background to contribute to the important work of your Board in helping improve Westpac's performance. Thank you very much for your consideration, and I would really appreciate your support today. Thank you.

Mr McFarlane: Thank you Mike. Are there any questions?

Moderator: Mr Chairman, there are no questions for this item of business.

Mr McFarlane: Well thank you. The direct votes cast, and the position of proxy votes received in relationship to resolution 4d prior to this meeting, will now appear on the presentation slides.

Mr McFarlane: Any proxies revoked before the meeting today are not material. As the meeting Chairman, any proxies given to me will be voted in favour of this resolution, unless specifically directed otherwise in the proxy form. I will now formally propose the following resolution, that Michael Hawker be elected as a Director. If you have not completed your voting card for this resolution, please do so now via the online platform, and only eligible voting card holders can vote on this item.

The next items of business, are items 5a and 5b, being the self-nominations by Mr Noel Davis and Mr Paul Whitehead, which have been included in the Notice of Meeting in accordance with ASX Listing Rule 14.3, and Westpac's Constitution. The ASX Corporate Governance Council's Principles and Recommendations require our Board to provide a recommendation on whether to vote in favour or against Mr Davis and Mr Whitehead's elections. The Board Nominations and Governance Committee has considered the skills presented by each of Mr Davis and Mr Whitehead, in the context of the challenges and opportunities facing the Westpac Group, the current skills matrix, and the extent of each of their experience in Director and/or senior positions of large companies with equivalent complexity to that of the Westpac Group. Having considered these matters, the Board has determined not to endorse their appointment. As a result, the Board unanimously recommends that shareholders vote against the election of both Mr Davis and Mr Whitehead. Now Mr Davis and Mr Whitehead are present at the meeting via phone, and are available to answer questions, and I will now ask Mr Davis to address the meeting.

Mr Davis: Fellow shareholders, I apologise for my comments not coming to you as a pre-recorded video. That has happened despite the best efforts of Westpac, but has been a result of my other commitments recently. A positive is, that it saves you from having to look at my less than handsome visage.

I am a Barrister with extensive risk and compliance experience, and I nominated for the Board some time ago, when I became aware of the risk and compliance problems in Westpac. I have spoken to a significant number of the smaller shareholders over the last couple of months to determine their attitudes, and as any Director of a public company knows, shareholders can be harsh critics of Directors. The overwhelming response I have received from the shareholders I have spoken to, is one of anger. There is anger, because of the \$1.3 billion penalty that has been explored in detail today. There is anger with the Directors responsible for the proper governance of the company. The view is that those Directors have failed the shareholders. There is anger with Executives and management responsible for ensuring proper compliance within the company. Some shareholders even suggested that there should be prosecutions, but a more moderate, but widespread view amongst the smaller shareholders that I have spoken to, is that the Directors who were responsible for the governance of the company at the relevant time should not continue to be on the Board.

Some shareholders who have already voted for me have expressed in direct language that even I can understand that if I am elected, I am to fix the compliance and dividend problems that have occurred. Regrettably, I think it will fall to others to do that, because it is not my expectation that I have been elected. That is because in part, the undirected proxies given to the Chairman will be voted against me. That is the result of the Board having decided to oppose my election, but I might add, without having interviewed me. I would have thought under ordinary principles of fairness, the Board or its Committee would interview me before reaching such a decision, but obviously the Board took the view that my credentials did not warrant it. If I had been afforded the opportunity of an interview, I would have hoped to apply whatever advocacy skills I have to convince the Board that given the risk and compliance issues the Board faces, my extensive experience in dealing with risk and compliance in financial services companies, both as a lawyer and a board member, might be beneficial to the Board. Instead of any interaction with the Board, my only contact from Westpac was when the Head of Investor Relations rang me, but did not say on whose instructions. He said that he had a good relationship with the major shareholders, which I don't doubt, that I wouldn't get many votes in the circumstances, and invited me to consider whether to withdraw my nomination. I was surprised to receive that call and its contents, but I haven't withdrawn, and the reason I have continued with my nomination is that the shareholders have suffered significant financial loss because of the risk and compliance breaches, and I believed I had something to offer shareholders because of my experience.

My background in brief is that I have been a lawyer for 40 years advising in financial services, including advising large financial institutions. Whilst I have been a barrister for some time, before that, I was a partner of large legal firms practising in financial services and risk and compliance. I have also been a director of three financial services companies for in excess of a decade in each case, and I was the Chair of the Risk and Compliance Committees of each of those boards, which gave me insight into how board members can stay abreast of the risk and compliance issues, in addition to relying on what management tells the board or the committee. In doing that, in my view, it helps if you are familiar with the operation of financial services companies, which I am.

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Until recently also, I sat on a Tribunal for 14 years deciding disputes arising out of financial services, and in that role, you see things that are done badly by the financial services companies, and which could be done better.

As part of advising on compliance issues as a lawyer, I and other lawyers who have told me this, am experienced giving advice to people in management of financial services companies who have sometimes responded by saying that compliance is not important, and they needed to get on with making money. As the shareholders of Westpac have recently experienced, failing to take account of risk and compliance issues can prove very costly to shareholders. That is one of the problems, I think, with the bonus systems in financial services companies, and I have seen many instances over the years of failures that were a result of the bonus arrangements that exist. For example, I have seen very senior people terminated because of their high salaries, but with them went corporate knowledge and mistakes were consequently made, which proved to be expensive.

For shareholders, why is this boring subject of risk and compliance relevant to them? It is, I think, because the shareholders have been bearing the cost of Westpac's risk and compliance breaches in the reduced dividends that many shareholders rely on, and in the reduced capital value of their shares.

In relation to the \$1.3 billion penalty for breaches of the anti-money laundering laws, the Executives, as has already been explained to you, had their bonuses reduced by a mere \$20 million. Whilst the penalty was imposed on Westpac, it is therefore the shareholders who have been substantially penalised by this, and not the Executives and managers who were responsible.

According to a company called Velocity Trade, who were quoted in last Monday's *Australian Financial Review*, the Westpac losses have been some \$2.6 billion from fines, customer remediation, etc, and that figure is by far the highest of any of the banks, if that information is accurate. According to APRA, in its statement last week, these issues continue within Westpac, which resulted in the company giving the enforceable undertaking last week, and which APRA required because of APRA saying that there is still a poor risk culture in Westpac, and their slow progress in remediating issues. That is under the current Board, not the previous Board.

I have had a lot of experience with enforceable undertakings. They are usually only required to be given in extreme circumstances, and failure to comply with the terms of such an undertaking can have very serious consequences for those who have given the undertaking. So there are very important risk and compliance issues before Westpac, including complying with the terms of the enforceable undertaking, and if I had been elected, I am of the view I could have played a role in that. Regardless of the outcome of the election, what is clear from APRA's statements is that Westpac's compliance is not in a good position, and there needs to be far greater concentration in the Board on risk and compliance issues than has been publicly evident.

In conclusion, I wish the shareholders and the Board well in confronting the serious issues facing the company, as part of the overall governance for which the Board is responsible. I would hope to see in the future, that the nominations

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would include more female candidates than is the case of the current nominations for the Board. Thank you, Chairman.

Mr McFarlane: Thank you Mr Davis for what I regard is a very impressive articulation of your position, and for its sincerity, so I do appreciate it. Are there any questions relating to this?

Moderator: Mr Chairman, we have a question from Craig Caulfield.

Question: *I support your nomination. I strongly believe a new cohort of Directors are required across all Australian public companies. Despite good intentions, too many catastrophic failures occur under the watch of longstanding Directors that, it appears, are not prepared to rock the boat by challenging management to a greater degree. You are unlikely to be successful today, but I applaud your courage in nominating.*

Mr McFarlane: Craig, thank you very much for your comment and feedback. Can I have any other questions please?

Question: *Mr Chairman, we have a question from Julie Kelly. Why is the Board not recommending self-nominations?*

Mr McFarlane: We do welcome self-nominations. We welcome all sorts of people who wish to join the Board, providing they have the right credentials. We are completely open to people approaching us to join the Board. However, we do need to have the right mix of skills at any point in time, and that is not to say that neither Mr Davis nor Mr Whitehead have strong skills in this respect. They do. We do not have an infinite size of the Board. We really try and keep the Board to a manageable number, and therefore the places are quite scarce, and so we do rank people who apply, and give very careful consideration to who is an appropriate Director. We are, of course, as has been said, short of female Directors, having lost two female Directors in the past 12 months, at least at the end of this meeting it will be true and so we did take the matter seriously, and we did actually consider these nominations. I'd just like to say that I think we have appointed good Directors, and they have been endorsed by shareholders now, and therefore I do thank both Mr Davis, but also Mr Whitehead, for putting themselves forward, and it is appreciated. Thank you. More questions please, sorry.

Moderator: Mr Chairman, we have a question from Rita Mazalevskis.

Question: *Mr Davis, Westpac could certainly benefit from your extensive experience. What do you see is the utmost issue of importance for shareholders, due to Westpac's shortcomings and failings? Thank you.*

Mr McFarlane: Thank you Rita. As I did say that Mr Davis' articulation of the situation and the issues and some of the remedies was indeed impressive, and actually did answer your question. As far as I am concerned, I think the question has been answered very well by Mr Davis. Can I just ask if there are any other questions?

Moderator: Mr Chairman, we have a question from Michael John Friend.

Question: *Congratulations on applying. I too supported you and hope you are successful.*

Mr McFarlane: Thank you Michael for your comment, and we note your feedback. Are there any other questions please?

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- Moderator: Mr Chairman, there are no further questions for this item of business.
- Mr McFarlane: Well thank you. The direct votes cast, and the position of proxy votes received in relationship to resolution 5a prior to this meeting, will now appear on the presentation slides.
- Mr McFarlane: Any proxies revoked before the start of the meeting today are not material. As the meeting Chairman, any proxies given to me will be voted against this resolution, unless specifically directed otherwise in the proxy form. I will now formally propose the resolution, that Mr Noel Davis who nominates himself as a Director for election in accordance with the Westpac Constitution be elected as a Director. If you have not completed your voting card for this resolution, please do so now via the online platform. Only eligible voting card holders can vote on this item.
- In fact, I would as a personal matter, I would be very pleased to meet Mr Davis following his articulation, and just thank you for that. I would now ask Mr Whitehead to address the meeting.
- Mr Whitehead: Fellow shareholders, I have always respected our banks, and I am deeply concerned at recent information regarding the fines imposed on Westpac. As an Australian, I would like to see changes to increase levels of integrity, accountability and transparency in Westpac, and in the banking system more broadly, as it is time for change. The Royal Commission into misconduct in banking and other sectors has prompted me to action, and this is the reason for my self-nomination to the Board of Westpac. Westpac's fine strongly points to the fact that greater diligence is needed to manage the operations of the Bank ethically. Shareholders are justifiably outraged, and to be a voice for them and to help prevent shareholders losing dividends through Government penalties, I believe there is a major issue with how the Board currently operates. There is clearly strong resistance to bringing new members from outside of the banking and finance sector onto the Board. The nomination process is closed and opaque. To illustrate this point, the Board has accepted my self-nomination, and another nomination, but stated in the 2 November Notice, that there is unanimous agreement by the current Board not to vote for us. Is this approach democratic? Does this approach give the average shareholder a say? I believe the Board has created an echo chamber of likeminded people agreeing with each other. They are unable to see the wood for the trees. The business operations and management has led to Westpac's current position, cost to the business, and cost to the shareholders. The solution is to change that for the better. To make the Board stronger, more diverse, and with a stronger moral compass.
- I am a qualified engineer with experience in the highest levels of Government-listed corporations and private companies. At Woodside, I led the solution team on a foundation project resolving a critical issue and saving billions of dollars. As an engineer, I build things, not destroy them. I can help build a stronger, more ethical business, on a firm foundation. The current way at Westpac needs to change. Instead of building, it is destroying shareholder value. We need to return to responsible practices to create stronger returns for shareholders and investors. Humbly, I put myself forward to help build a better business. I will work hard to think outside the box, bring problem solving, compassion, timely action, and ethics to the Board and management. But most importantly, keep the interests of society and the shareholders at the core. A vote for me is a vote for change, and with your vote we can change for good.

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- Mr McFarlane: Well thank you Mr Whitehead for an equivalently articulated presentation. I do appreciate it. As a new Board member, I was nodding my head on some of the comments you made in the early stages, and so thank you for that. Are there any questions on this item?
- Moderator: Mr Chairman, we have a question from Craig Caulfield.
- Question: *Warren Buffett speaks of a Directors Club, where known Directors, who will not rock the boat too much, or vigorously challenge the status quo, get elected. Those Directors who do constantly challenge incumbent views are eschewed. Had such challenges been ventilated in Directors meetings in previous years, 23 million breaches and the AUSTRAC \$1.3 billion fine, and the horrendous consequences to children, may have been averted. I support your nomination.*
- Mr McFarlane: Thank you Craig. I will say on this, that the Board is only available to deal with matters it is aware of, and brought to it by management. That does not mean to say that is exclusively, because the Board does need to be inquiring of management. Now, in my short experience with the Directors on this Board, and of course the new Directors joining, I do believe that there is sufficient challenge here of management, and there is enormous due diligence done by the Board and its Committees on these kind of matters. I am satisfied that this Board does challenge sufficiently, and in fact, it does not completely rely on being informed by management, but does its own investigation into matters, but thank you for your feedback. Are there any other questions?
- Moderator: Mr Chairman, there are no further questions for this item of business.
- Mr McFarlane: Well thank you. The direct votes cast, and the position of proxy votes received in relationship to resolution 5b prior to this meeting, will now appear on the presentation slides.
- Mr McFarlane: Any proxies revoked before the start of the meeting today are not material. As the meeting Chairman, any proxies given to me will be voted against this resolution, unless specifically directed otherwise in the proxy form. I will now formally propose the following resolution, that Paul Whitehead who nominates himself as a Director for election in accordance with the Westpac Constitution be elected as a Director. If you have not completed your voting card for this resolution, please do so now via the online program. Only eligible voting card holders can vote on this item.
- I would make the same offer to Mr Whitehead. I am very happy to meet you, Mr Whitehead, as appropriate, when you can.
- Before I formally close the meeting, I wanted to check if there were any further questions or comments submitted during the meeting, that we have not had the chance to consider.
- Moderator: Mr Chairman, we have a question from Rita Mazalevskis in relation to resolution 1, Financial Reports and General Business.
- Question: *Under Westpac's purpose and focus, it states addressing our shortcomings by materially improving our management of risk and risk culture, reducing customer pain points, completing historical customer remediation program, and reducing the complexity of our technology. Retrospectively, what do Westpac intend doing*

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in regards to these shortcomings with its many outstanding longstanding aggrieved customers?

Mr McFarlane: Rita, thank you very much for that. We do take these things seriously, and you have articulated it very well. We do have a very, very significant customer complaints authority inside the organisation, that does in fact act on behalf of these customers, and in fact, in many cases we agree with the customers and resolve the situations adequately. Any other questions here?

Moderator: Mr Chairman, we have a question from Rita Mazalevskis in relation to resolution 5b, the self-nomination of Paul Whitehead.

Question: *Paul, I acknowledge and support your sincere concerns about the current serious issues of Westpac. I accept your reasons and views, and thank you for your self-nomination and courage on behalf of all shareholders.*

Mr McFarlane: Again, thank you very much for your feedback, which is noted, but we have covered that item already. Any other questions?

As there are no further questions, that completes the business of the meeting, and all items for discussion. The polls will close in 15 minutes on all resolutions, at which time I declare that the meeting will be formally closed. If you have not already completed your voting card, or cards, via the online platform, please do so now. Bearing in mind that the voting we will set out in the Notice of Meeting. A countdown timer will appear at the top of the screen of the online platform. Once that closes, any vote you have placed will automatically be submitted.

Thank you for joining, and I wish you all a very safe and happy holiday period, and I look forward to hopefully meeting you in person next year. I can assure you; you have my full commitment to the future of this company. Thank you.