

**WESTPAC BANKING CORPORATION**  
**ANNUAL GENERAL MEETING**

**SYDNEY 15 DECEMBER 2021**

## **Annual General Meeting**

### Opening Address

**Tim HARTIN:** Good morning ladies and gentlemen, and welcome to the 2021 Annual General Meeting of Westpac Banking Corporation. My name is Tim Hartin, and I am Westpac's Company Secretary.

I would 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.

This AGM is being conducted as a virtual meeting, allowing shareholders the opportunity to participate either online or via telephone. Before I introduce your Chairman, there are a few procedural matters to explain before we formally begin the meeting. This includes the technology being used to conduct today's meeting and the procedures for shareholders to ask questions and to vote. If participating online, you will see a split screen showing the webcast of the meeting and the presentation slides. You can make either of these larger or smaller by clicking on the [Switch View] button on the right-hand side of the screen.

I can see many shareholders are online already. However, if you have issues with voting, submitting a question or have any technical difficulties, our online AGM guide may assist. This guide is on our AGM website and can also be accessed via the related documents button located under the webcast. We encourage you to download the online AGM guide and have it available in case you encounter a problem along the way.

If you have any issues watching the AGM, you can chat online to an operator by clicking the [Help Centre] button located under the webcast. If you need assistance with accessing the AGM online platform to vote or ask questions, please call Link Market Services on 1800 990 363. If participating via telephone you can press [\*] [0] on your keypad for assistance.

In the event of a major technical difficulty that requires us to pause or to adjourn proceedings, we will do our best to update you. This may include an update on our AGM website and if applicable, an ASX announcement.

If you are a shareholder or proxy holder participating online and would like to ask a question, make a comment or to vote, you will need to register on the AGM online platform. To do so, please select the information tab located below the webcast. You can then select the red button labelled 'Shareholder Voting and Questions'. A new tab will open in your browser which will take you to the AGM platform. There is no need to wait for each item of business to submit your questions and indeed we encourage you to do so now.

To ask a question, click on the 'Ask a Question' button located either at the top or the bottom of your screen and when submitting a question, we ask that you indicate the item of business it relates to, type your question and then press [submit]. Your question would be placed in a queue and questions can be up to a thousand characters long. Please do submit one question though at a time.

At an AGM where everyone is attending in person, shareholders can listen to questions and modify or withdraw their questions in need. This is of course not as easy online and it is possible that we may receive duplicate questions. If we do receive many questions that are the same or similar, we may only read out one or a selection of those questions or we may consolidate them where they are largely the same. 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 to allow shareholders as a whole the opportunity to participate. If you would like to ask a question, I encourage you to submit them now via the AGM platform.

All resolutions at this AGM will be decided by a poll and voting eligibility is outlined in the Notice of Meeting. Shareholders and proxy holders participating online may cast their vote at any time during the meeting through the AGM platform. Once locked in your voting card will appear at the bottom left of the screen. Click on the [Edit Card] button to access the voting card. Your voting card will appear with

all the resolutions listed and once completed the card can be submitted.

You can edit your online voting card at any time during the meeting by clicking the [Edit Card] button again.

Voting closes 50 minutes after the conclusion of the meeting and at the conclusion of the meeting, a countdown timer will appear on the platform showing how long you have to complete your vote. Please note that you cannot vote over the phone but you can be on the phone and online at the same time. Shareholders participating via telephone can ask a question into the meeting if they do wish to do so.

When the Chairman calls for questions on each resolution you will be asked to press [\*] [1] on your keypad to ask a question for that item. You will then be put in a queue where you can still listen to the proceedings. When it is time to ask your question, the Moderator will introduce you and unmute your line so you can be heard. If you wish to ask a subsequent question, please press [\*] [1] to re-join the queue.

For each item of business, we plan to first read the question received for that item on the AGM platform and the Chairman will then respond. Once we have responded to these questions we will go to the phones. We do ask the 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, and 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.

As a reminder, you may now submit your questions online for all resolutions.

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

### Chairman's Speech

**John McFarlane:** Thank you Tim. Under Westpac's Constitution, a quorum is 50

shareholders present in person, by proxy or by representative holding between them at least 50,000 shares. I am informed we have a quorum present, and I declare the 2021 Annual General Meeting of Westpac Banking Corporation open.

I would like to welcome everyone joining today and thank you for your understanding in using this platform once again. I am personally very keen to get back to face-to-face AGMs, but we had little choice given this further year of uncertainty due to COVID-19. All of the Board are with me today along with our Company Secretary, who you have heard from, Tim Hartin.

I would also like to welcome Westpac's Auditor, Lona Mathis, of PWC who is here today. Before we move to the matters in the Notice of Meeting, both the CEO and I would like to address the meeting.

For the banking sector, 2021 was a very positive year with good earnings recovery, dividend enhancements, stock buybacks and significant increases in market value. Westpac generally benefited from this environment with significant earnings and dividend recovery. Earnings more than doubled and capital was maintained at a healthy ratio of 12.3%, enabling dividends to be raised to a more normal full year payment of 118 cents per share fully franked. This also allowed us to announce the return of up to \$3.5 billion of capital to shareholders in the form of an off-market buyback. However, these items benefited from lower notable items and impairment charges and therefore obscured an overall decline in core earnings. That followed significant but necessary cost increases to fund operational and regulatory improvement.

While the decisions we made restored mortgage growth following several periods of decline, this was at the expense of net interest margin principally due to severe competition in the mortgage market but also due to our desire to grow our book at market. Overall, the result was disappointing leading in a drop in our market value for which I apologise unreservedly on behalf of the Board. However, be assured remedial action has been instituted by the Board and the Management

to improve performance going forward, including a plan to reduce costs materially over the next three years without jeopardising investment in infrastructure and revenue opportunities.

Now there is some scepticism as to whether we can achieve this cost outcome. The Board is nevertheless confident that we will be able to execute this, and we fully expect costs to be down in 2022. So why are we confident about this? Last year's total expenses were \$13.3 billion, excluding notable items, these were \$10.9 billion; of this \$1.1 billion was temporary investment associated with our Fix and Simplify programs which we expect to roll off. Additionally, some \$800 million of costs relate to businesses that are in the process of being sold, leaving an underlying cost base of around \$9 billion.

Accordingly, to achieve the \$8 billion target in 2024 requires a net reduction in costs of 11%, and we believe this is possible given the approved plans now in place. So, it should give shareholders some comfort that action is being taken on that, but also to stabilise margins and lift growth, in some of the higher margin parts of our portfolio, particularly business banking.

Now standing back from all of this, on the one hand, as Australia's oldest company and Bank, we are a company with strong customer franchises, good brands, staff who are genuinely helpful to customers, and with leading climate and sustainability programs. However, on the other hand, it is self-evident that Westpac has, and continues to face, considerable challenges, many longstanding, some of which I alerted shareholders to when I assumed the role of Chairman in April last year.

I indicated that we lacked strategic focus and were operating businesses that no longer made strategic sense. Our financial returns and market share had been weakening over recent years, caused by bureaucratic management processes alongside operational and technological complexity. We were also faced with the need to resolve material, longstanding legal risk and regulatory issues, as well as discovering new issues as we carry out these investigations. Accordingly, we

designed and began to implement a comprehensive and ambitious turnaround program through to the end of 2023, such that Westpac would not only be free from these issues but performing well across the board.

At the end of 2020, we announced a strategy to return to core banking and to focus on our home markets of Australia and New Zealand. We designated nine main businesses for exit, and this has been particularly successful and faster than we anticipated. We have sold three, announced the sale of three, and are working to announce the sale of the remaining three hopefully in 2022. We have also been trailing the market in main bank relationships and mortgage market share over recent years, but we reversed this in 2021. However, this higher growth was at the cost of a decline in margins, and while mortgage margin pressure is an ongoing sector issue, it affected us disproportionately given our large mortgage portfolio and demand for fixed rate mortgages.

We were also slower to grow business lending, which is higher margin, and I am pleased to say that this trend is now reversing. We have also put in place plans to make the company more streamlined, more efficient and more digitally capable with significantly lower costs. This, combined with ongoing work to improve effectiveness and capital allocation, should enable us to improve performance and to return to more appropriate dividend levels.

Now, on a personal note, in the early days, I found Westpac's embedded culture and processes quite frustrating, which made getting traction on the outcomes we really needed much more difficult. Fortunately, however, with the changes in management, this has improved considerably. Two-thirds of the senior management team are new, mainly from outside the company. The move to a decentralised management system with individual accountability from a heavily centralised and collective decision system has also improved execution across the board, but particularly in key areas.

Now, I have been particularly surprised at our performance in exiting non-core businesses as well as improvements in culture. I believe our new team, led by

Peter King, the updated strategy and the changes we are making will improve the performance and value of the company going forward.

Now, turning to the AGM, we have the traditional resolutions around remuneration and some updates to the Constitution. Some shareholders have voted against our remuneration this year, and speaking to many, the decision was mostly due to our lower underlying performance and the view that we did not adequately reflect this in short term incentive decisions. Now, while disappointing, I respect this view, and we will work on our remuneration structure in the year ahead, considering new regulatory requirements also, as well as changing shareholder expectations.

We also have two shareholder resolutions related to climate change reporting. These resolutions relate to our disclosure on climate change, which is already industry leading. Of the major Australian banks, we have the greatest exposure to greenfield renewables and the least to fossil fuel extraction. We are happy with our climate change position, our action plan and our disclosures, so we are not recommending these resolutions.

The Board strongly supports Westpac's approach to climate change, which has been based on science and comprehensive feedback from various experts and stakeholders. The Board and management discussed these matters at length, and we publicly disclosed our commitments and action on climate change, and we update our progress twice a year. Further research, however, is also underway to develop Paris-aligned sector financing strategies and portfolio targets for six of our most climate-exposed sectors, representing most of our emissions.

Our analysis will consider the latest developments from the International Energy Agency and the IPCC, and we are happy to be judged on our actions. We are committed to exiting thermal coal mining by 2030, with our lending to coal mining and to oil and gas extraction declining by one-third over the last two years. Any new oil and gas customers must have public Paris aligned business goals and

disclosure. Of our lending to electricity generation, almost 80% is to renewables, and we have set emissions intensity targets for electricity generation for 2025 and 2030.

Now, apart from our own progress, we are working to be the Bank that helps customers in their transition, supporting Australia to reach net zero by 2050.

Turning to the Board, there have been very significant changes in its membership over the past two years. During that time, apart from the change of CEO, six Non-Executive Directors retired from the Board and five new appointments were made, including my own. During 2021, Steve Harker retired from the Board due to ill health, and Craig Dunn has decided to stand down today after two, three year terms on the Board. I would therefore like to take this opportunity to thank Steve and Craig for their contribution to the company. Our thoughts are particularly with Steve and his family, as he faces a major operation.

An important milestone has also been achieved on diversity. Post the AGM, we will have 40% female Directors, interestingly, all of whom are up for election today. Margie Seale and Nerida Caesar are up for re-election, and Nora Scheinkestel and Audette Exel joined this year, and seek election. Each of the candidates will address the meeting later.

Nora, originally a lawyer, is a former bank executive, and more recently, a seasoned Non-Executive Director and Committee Chair for several major Australian companies.

Audette, also, a former lawyer, is Chair and founder of Adara Group, and CEO of Adara Advisors. She has been both a bank CEO, and a Non-Executive Director.

Each of the Directors standing for election today bring unique skills and experience to the Board, and contribute to its culture. I would like to thank the Board, the Executive Team, and all our people who have shown immense resilience over the year, and embraced incredible change internally, with their

support, our commitment to customers has remained constant.

Most of all, I would like to thank shareholders for your support and understanding during this challenging time and for your patience, as we steer ourselves to a better future.

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

#### Peter King, CEO Speech

**Peter KING:** Good morning, fellow shareholders, and let me echo the Chairman's welcome. For Westpac, 2021 was a year of transformation. Profit materially increased. We established the foundations needed to improve the company, and we effectively managed the challenges of COVID. At last year's AGM, I shared our plan to transform Westpac. The big shift was sharpening our focus on banking in Australia and New Zealand, and driving change using our strategic priorities of Fix, Simplify and Perform.

Much of 2021 was focused on the fixed priority. Improving risk management, addressing customer remediation, and completing regulatory investigations. We have made significant progress on simplifying the company, having exited businesses, closed products and streamlined fees.

While our Fix and Simplify priorities remain, our focus is increasingly turning to Perform, to strengthen our franchise, improve returns and reduce costs. I am confident the changes made over the last 18 months set us up to deliver.

The scale of change is taking time and significant investment, and I am acutely aware of the impact on shareholders, their returns and to the value of Westpac shares. Many shareholders have written to us, and I understand your desire that we move quicker to fix our issues. We will continue to challenge ourselves on speed of execution, while balancing the need to ensure the change is enduring.

As CEO, I have accountability for delivering the plan. Together with my executive team, I am confident that we will achieve our targets, particularly on reducing

costs and improving returns. When I was appointed CEO, one of my first actions was to renew Westpac's purpose, to focus our people on helping Australians and New Zealanders succeed, and our purpose has guided us through the pandemic, as we worked to help many customers navigate the uncertainty. We provided 160,000 temporary mortgage repayment deferrals with the value of \$60 billion. We processed 233,000 requests for the early release of superannuation. For small businesses, we provided 36,000 temporary loan repayment deferrals, and extended more than half a billion dollars in Government guaranteed business loans.

I want to specifically recognise our frontline teams who have been outstanding in their commitment to customers, despite the disruption the pandemic brought to their own lives. I am especially proud of the way that we have protected customers from scams, and have helped customers move to new ways of banking.

As one of the country's largest employers, we adopted measures to keep our people safe during the pandemic. We introduced personal protections for those in branches and operations sites, and enabled over 20,000 people to work from home. Westpac was one of the first companies to create workplace vaccination for employees and their families, and more recently, we have begun rapid antigen testing. Importantly, this helped us keep branches open during COVID.

From earlier this month, employees also began to return to our corporate sites, and to protect our people, employees are required to be fully vaccinated to work at any of our sites. Together with governments and regulators, we have played our part in helping the country navigate this period, and I could not be prouder of our people's commitment.

The company we are building is profoundly different to the Westpac of two years ago, and it needs to be. The renewed Executive Team is in place, with more than 70% of my direct reports either new to Westpac or to the team. We are clear on what needs to be achieved to lead the company through this formative time.

Strengthening risk management and risk culture is a clear priority, and our customer outcomes and risk excellence program, or what we call CORE, is at the heart of this change. The program brings together over 300 activities designed to improve how risks are captured and managed, provide clarity on risk accountability, and enhance oversight. We are around one-third of the way through the CORE program, and it will remain a priority for the next two years.

Alongside this program, we are rebuilding our financial crime processes and systems, and have dealt with all the matters referenced in AUSTRAC's Statement of Claim. We are now working to embed these changes in our businesses.

As part of our Fix agenda, we are reviewing past practices, and have uncovered further issues. I know these are disappointing. Nevertheless, it is vital that we work hard to resolve and close them out, to restore the trust that you and our customers should have in us.

Refocusing Westpac on banking is a critical step under our Simplify priority, and we have made great progress on exiting non-core businesses. We have completed the sale of general insurance, lender, mortgage insurance, and vendor finance. We have sale contracts for auto finance and life insurance in both Australia and New Zealand, and expect these to close in 2022. We are consolidating our international footprint, having closed subscale offices in Mumbai and Jakarta, with three more locations to close in 2022.

Improving service, by making things simpler, faster and more straightforward is a focus, and our digital plans underpin this shift, with this year's highlight the launch of our new banking app, mobile app, and improving the stability of our banking infrastructure.

Looking forward, we are also testing a new payment solution for small businesses that replaces merchant terminals with a new app on their phone. Our focus on the core business, streamlined operations, an increase of use of digital,

is simplifying the Bank and improving service to customers. As the Chairman indicated, taking action to limit global warming is an urgent priority, and as a provider of finance, we have a critical role to play. We must lead in our own actions whilst helping the economy transition to net zero by 2050.

We back this by elevating climate response and our climate change plans to be a company priority backed by Board approvals. Of course, there is more to do and work is underway to map out what net zero requires from us and customers in high emitting sectors. Consistent with the last 20 years we will keep shareholders informed of our plans and progress and climate change is a risk, but it also presents opportunities. The investment required to change the way we work and live, build new supply chains and electrify the economy is massive and we will play our part.

Turning to performance, we more than doubled earnings over the year with cash earnings up 105% to \$5.4 billion, mainly from a turnaround in impairments and lower notable items. While our bottom line was up strongly, core earnings or profit before impairment charges and notable items was down 13%. This decline was mostly due to lower interest rates, which impacted margins and higher expenses. Whilst we successfully restored growth in mortgage lending, this year margins were down 7 basis points from the impact of low interest rates, intense competition and a shift to fixed rate mortgages.

We also incurred higher expenses, mainly related to lifting our risk management capability. Many shareholders have expressed their disappointment with our risk issues and the size of the investment to fix our management of risk. We know we have to reset our cost base and we are already taking action to do so, and this year, as the Chairman said, we set a target to cut expenses from \$13 billion to \$8 billion by FY24 and we are fully committed to achieving it.

Turning to the macro picture, the Australian and New Zealand economies continue to perform well, and we expect them to bounce back as we reopen. This should drive good loan demand and low unemployment, which is a positive for

credit quality. However, low interest rates and intense competition will continue to impact sector margins.

For Westpac, last year saw us inwardly focused to get our house in order, and that has now changed. We are now directing more energy to customers, and that will increase as we further simplify our business portfolio. While we have much to do, the changes made over the last 18 months have made Westpac simpler and stronger and they have set us up to manage through this period to compete and to grow. We do this with a strong balance sheet and an incredibly dedicated workforce. I want to particularly thank our people for their commitment to customers. It has been a privilege to lead them through this significant time in our history.

Finally, importantly, thank you to shareholders for your continued support. We are committed to rebuilding Westpac's long term value and improving returns.

**John McFARLANE:** Thank you, Peter. Each year, many shareholders submit questions ahead of the meeting. This year, we received around 223 questions, with the main themes focused on financial performance, Executive remuneration, branch closures and climate change. Peter and I have dealt with some of the themes from these questions in our addresses, and as Tim mentioned earlier, we ask that questions from shareholders today, be relevant to their items of business and to shareholders as a whole.

Questions on customer, or personal matters may not be put to the meeting. Where appropriate, you may be contacted by one of our Customer Representatives after the meeting to discuss any such matters. For shareholders participating by the AGM platform, please submit your questions via the platform and we will address them in turn. We will then take questions on the telephone, before coming back to any remaining questions on both the platform and the phone.

So, as Chairman of the meeting, I now formally declare the polls on all resolutions

open. You may now vote on all resolutions. Link Market Services is the returning Officer for this meeting with responsibility for overseeing the voting process. During the meeting we will display the number of direct and proxy votes received prior to the 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 me as Chairman, they will be voted in favour of resolutions 2 to 5 to the extent permitted and voted against resolutions 6(a) and 6(b). The Notice of Meeting has been distributed and I will take that as read. A copy of the minutes of the 2020 AGM also are available on our AGM website and via the related documents section under the webcast. Those minutes have been signed as a correct record.

So, we can now move to the matters in the Notice of Meeting. I will introduce each item of business separately and then respond to questions for that particular item. The first item concerns the receipt and consideration of the Financial Report, the Director's Report and the Auditor's Report of Westpac Banking Corporation for the year ended the 30<sup>th</sup> September 2021. As I noted earlier, Lona Mathis from PwC is here. I would like to thank Lona for her service as this is her last AGM as our Lead Audit Partner in accordance with the *Corporations Act*, which requires a rotation of the Lead Auditor every five years. I would also like to welcome Colin Heath from PwC who will take over as our Lead Audit Partner after this meeting. 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, and on the independence of the Auditor.

It is important, however, to note that Directors are responsible for the preparation and representation 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.

Our Auditor has received one written question from a shareholder pertinent to

the Auditor's report. The question and answer is available under the related documents tab in the webcast. The Auditor's written response to the question is now formally tabled for the meeting.

We will now move to questions on the Financial Reports. Questions on remuneration matters will be discussed in Item 2. Questions on the grant of equity to the CEO will be discussed during the third item of business. While questions on the individual Directors seeking election or re-election will be addressed during the fourth item of business. Questions on the amendments to Westpac's Constitution will be discussed during the fifth item of business and questions on the shareholder requisition resolutions will be addressed during the sixth item of business.

As Peter and I alluded to, climate change is a really important issue for the world and for our company. I assure you the Board has taken it very seriously. Since there are likely to be a number of questions relating to climate change, could I ask that climate-related questions be taken together along with Item 6(b)? This will create a better experience for all not dealing with these matters twice in two separate or three separate places. So, please submit your questions now in the AGM platform.

So can I now have the first question on the Financial Report, please?

**MODERATOR:** Mr Chairman, we have a question from Carol Limmer.

*QUESTION: [Carol Limmer] How are divestments progressing and is a good price expected? Is Panorama's current performance satisfactory and if so, why is it being divested?*

**John McFARLANE:** Well, Carol, thank you very much for the question but also, I enjoyed our recent meeting. Thank you for doing that. Thank you for opening on a really positive note, because this is the one area that is really outstanding and way ahead of program. We are getting good prices, not on everything. Part of the reason we are selling is that they are less valuable than perhaps we

thought that they would be.

You asked about Panorama. Panorama is performing very well on the platform side of the business, less well on the superannuation side of the business, and in fact that BT platform, Panorama, is more than \$100 billion on that platform and it is performing very well. We do have an issue there. It is that the costs of the digital and online platforms are superior to ours in efficiency and therefore we need to address that to improve the financial performance of Panorama but actually Panorama is performing very well. We have had some issues on that platform technologically and we are addressing those. That has caused a little bit of a jolt but nevertheless, it is being fixed.

Can I have the next question, please?

**MODERATOR:** Mr Chairman, we have question from Carol Limmer.

*QUESTION: [Carol Limmer] Where will major costs occur, timing of these and how can shareholders be confident of achieving target? Is there conflict between need for spend on compliance costs and IT upgrades while at the same time reducing overall costs?*

**John McFARLANE:** Well, again Carol thank you very much. I have actually addressed that question, but I will amplify it a little bit.

Most of the costs have already been incurred on these programs and so the increase from here will not be there, in fact, we are expecting those to be recovered. The cost reductions arise from four areas: the non-recurrence of notables; the exit of specialist business, which as I said earlier, have about \$600 million in expenses. The non-recurrence of one-off costs on the fixed agenda, which last year were \$1.1 billion in costs; and then reductions in the underlying cost base, mostly central costs and mostly head office costs. We are not reducing costs in the frontline, if anything, we are trying to improve our service to customers and improve our revenue base.

And so, I will repeat, underlying it all we are targeting a cost of \$8 billion by 2024 from an underlying cost base of just over \$9 billion last year. Now, investment in compliance and IT are part of cost plans and it is vital we maintain the service there but at some point in time, these will be behind us.

Can I have the next question, please?

**MODERATOR:** Mr Chairman, we have a question from Carol Limmer.

*QUESTION: [Carol Limmer] How well embedded is the desired new culture at all levels in Westpac?*

**John McFARLANE:** One of the things about chairing a meeting, is I can answer all the questions, but it is probably less interesting for shareholders, and therefore we do have a number of Directors present because it really needs the Board that needs to address these, and periodically I will pass a question to another member of the Board and it will create a bit more interest for shareholders. And this is one that I think I will pass to the Chief Executive, but I will say that we do surveys to address the culture in the program and for the top levels of management, three layers that we are now approaching the 75<sup>th</sup> percentile of all banks globally and therefore that is way ahead of what you thought it would be. Anyway, Peter.

**Peter KING:** Thank you Carol. We use the McKinsey's OHI measure when we think about culture, and as the Chairman just said, we did see an improvement this year from a score of 70 to 74 at a headline level. That is just below the top quartile globally. So, I would say we have made progress but we have more work to do. We certainly see great engagement in the frontline with customers.

One of the values that has come up strongly this year as we have run our training programs is risk management in terms of a priority for the company. Customer is not as high as what it needs to be, and performance would be the third one. So, we are seeing better performance but again it is not where it needs to be.

So, what I would say is good progress but still more work to do and we see this

as part of our three-year core program to really lift the culture, particularly on risk management.

**John McFARLANE:** In these situations, by the way, it is often that middle and lower-middle management that can be a bit sticky and that takes a bit more time to fix. Can I have the next question, please?

**MODERATOR:** Mr Chairman, we have a question from Carol Limmer.

*QUESTION: [Carol Limmer] Are clear succession plans in place for Peter King and his direct reports?*

**John McFARLANE:** You are very busy today, Carol. Now, succession is a very important priority for the Board, but succession plans for Peter King, since he has only been recently appointed, is probably a little premature. And we were going to consider it this calendar year, but we decided it was not the time and therefore it will be something we will begin next year.

It is very important with CEO succession to develop internal successes and in fact, one of the things that we have been doing, and this is a very important responsibility for the Board, is that when recruiting people reporting to the Chief Executive and to outstanding people below that, these people have got to have one more level in them and some, the CEO position, and therefore when we have been appointing people we have been very cognisant of that. Of course, when you do change the CEO, it is very important to have the best person in the world available to us and we would normally look outside to make sure that we have the best of both worlds inside and outside but it is not for today, it is actually for tomorrow.

Can I have the next question, please?

**MODERATOR:** Mr Chairman, we have a question from Carol Limmer.

*QUESTION: [Carol Limmer] When will the Court be likely to determine in relation to six ASIC allegations?*

**John McFARLANE:** Well, I think I will pass that one to the Chief Executive, if I may.

**Peter KING:** Thank you Carol. So, ASIC and Westpac have agreed facts and penalties on those matters. They will be presented to Court next year, we believe around April, but that is obviously subject to the Court, and that is when those matters will be considered by the Court.

**John McFARLANE:** I will just say that, and I said it in my speech, a lot of these issues, although some of them are current, they actually started quite a long time ago. One of those items went back to 2001. It is very important that we get these behind us. The problem that we have got though, is as we continue to investigate, we do turn over stones and new issues do arise, but hopefully there will be a point in time, where all of it will be behind us.

Can I have the next question, please?

**MODERATOR:** Mr Chairman, we have a question from Carol Limmer.

*QUESTION: [Carol Limmer] Note the extension of buyback until February. What if the share price declines further?*

**John McFARLANE:** Thank you. I will pass that also to Peter. That said, our priority is to make sure that the latter does not happen.

**Peter KING:** Well Carol, that you for the question. In relation to the off-market buyback, that is a risk for the off-market buyback, but we have the intention to return the \$3.5 billion in capital and we also announced that if off-market is not the right structure, that we would do it on market. But our course of action at the moment is an off-market offer. We have thought about the share price reducing and we have adjusted the terms of the transaction as you can see in the scheme booklet, but we want to return that \$3.5 billion to shareholders.

**John McFARLANE:** Over a number of years Westpac share count has increased, reducing earnings per share, so one of the things we want to do is

reduce that share count, which is why we are considering buyback, particularly the way we have structured it rather than special dividends, because we need an ongoing benefit in earnings per share and that is why we have chosen this rather than a special dividend.

Can I have the next question, please?

**MODERATOR:** Mr Chairman, we have a question from Carol Limmer.

*QUESTION: [Carol Limmer] Will hybrid AGMs live and online be held in future, given the number of shareholders and how widespread they are?*

**John McFARLANE:** Well, like you, I hope not, in that at least the ones that we are having today are purely online, I hope we will see the back of. However, I think hybrid AGMs are going to be with us for some time, and therefore at the time we will consider hybrid meetings, but I personally think it is better that we get back to face-to-face meetings as quickly as possible. We will take a decision on hybrid nearer the time, but ideally we really want to see shareholders face-to-face.

Can I have the next question, please.

**MODERATOR:** Mr Chairman, we have a question from Duncan Miller Johnson.

*QUESTION: [Duncan Miller Johnson] There is some suggestion that Westpac New Zealand Directors did not have sufficient expertise in the critical areas of banking, risk management and banking technology, despite Westpac's Board Charter requiring them to have these skills. Presumably, Westpac Group Directors are not deficient in the above noted critical areas. D. Johnson, small shareholder.*

**John McFARLANE:** Well, look, thanks for the question. New Zealand is a subsidiary of Westpac Group and so I will pass this – it reports to the Chief Executive – and so I will pass it to him.

**Peter KING:** You might want to comment on the Board question as well Chair, but in relation to New Zealand, we have appointed new Directors with those skills, so we feel like the Board now for our Reserve, our New Zealand business, has the skills that it needs. And I might pass back to you, Chair, on the Group Board.

**John McFARLANE:** Yeah. Look, it is a regulatory requirement and also one of our own policies, that appointments to subsidiary Boards have to be approved by the Westpac Banking Corporation Board. And so, we take that very seriously. But these are always on the recommendation of the Chairman of the subsidiary and also on the recommendation of the Chief Executive.

So, while we approved it, the due diligence was done largely by the Boards themselves and the Chairman of the subsidiary Boards, as well as the Chief Executive, and we were very happy with that. When it was an important subsidiary, I met all of the candidates for the Chairman's position, and I meet the Chairman regularly, notwithstanding the report to the Chief Executive, I meet them relatively frequently because it is very important that I understand personally what is going on and that they understand what is happening in the Group as well. So, thank you.

Can have the next question, please?

**MODERATOR:** Mr Chairman, we have a question from Michael Friend.

*QUESTION: [Michael Friend] How many customers has Westpac lost and what is the value of deposited funds lost due to Westpac not being in any way competitive in the savings deposit rates it offers to its customers?*

**John McFARLANE:** Okay, Peter, that is another question for you, thank you.

**Peter KING:** Well, thank you for that question. I think I might start with returns on the deposits are very low at the moment because of low interest rates in the economy, and I think that underpins the question.

In terms of our performance in deposits, we have actually grown deposits very

strongly. We have seen an increase in the funding provided to loans from deposits. So, we have actually done well for what we needed in the deposit market, but I understand at these interest rates that the return on deposits is very low. That is something about the settings in the economy.

**John McFARLANE:** Can I have the next question please?

**MODERATOR:** Mr Chairman, we have a question from Stephen Mayne.

*QUESTION: [Stephen Mayne] Did any of the main proxy advisors, ACSI, Ownership Matters, Glass Lewis and ISS recommend a vote against any of today's resolutions? Which of the proxy advisors are covering us and has there been a material proxy protest vote against any of today's resolutions? Will you disclose the proxy votes before the debate on today's resolutions so shareholders can ask questions if there have been any protest votes?*

**John McFARLANE:** Well, it has been a long time since I have spoken to you because I have been in London for quite a long time. But Stephen, good to see you back.

Now, you are pretty much an expert in this area, I know. So therefore, I think you know the answer to this question, is that the proxy firms prepare research on us locally and internationally, but they do not make the report public, and therefore we cannot actually discuss them publicly. I did say, though, that one firm recommended against the remuneration report, and as mentioned in the speech, some shareholders voted against the REM Report.

Now, one of the things about proxy votes, is it is really important that shareholders individually form their own view on a situation and therefore deal with it. If we disclosed the proxies in advance, then that may have a disproportionately fair or unfair influence on a shareholder's vote. I think it is really more important that the shareholders have the information that all shareholders have in order to form their vote and then we release the proxy votes after the questions. And that, as you know, Stephen, is a very traditional way that Boards

and companies operate.

Can I have the next question, please.

**MODERATOR:** Mr Chairman, we have a question from [Kara Conchella].

*QUESTION: [Kara Conchella] I am Gomeroi traditional owner from Narrabri. I have been banking with Westpac for around 20 years. Question to the Board: When will you stop financing Whitehaven Coal to desecrate Gamilaraay country and invest heavily in renewables in northwest New South Wales?*

**John McFARLANE:** Well, thank you for being a customer, we appreciate it, and we will not comment, unfortunately, because of privacy on individual facilities or individual customers. But what I can say generally, is that we have made a commitment to exit thermal coal mining by 2030 and we only have one thermal coal customer. Of course, when we go forward, and this is something that has been new for us, new metallurgical coal mining customers must have public Paris aligned goals for us to finance them.

Our total exposure to coal mining is half a billion dollars, which is .05% of total committed exposure, less than half of that to thermal coal. So, I think in answer to your question, we will come out of thermal coal, but we cannot comment on individual customers.

Can I have the next question, please?

**MODERATOR:** Mr Chairman, we have a question from Stephen Mayne.

*QUESTION: [Stephen Mayne] The \$3.5 billion off-market buyback was meant to be closing on December 17, but you have now extended it until February 11. How many shares had been tendered at the time you announced the extension, and did you change the discount range from 8-14% to 0-10% before it had become apparent the take-up rate would be substantially below \$3.5 billion, mainly because a fully franked dividend component was going to be less than 50% of the total return for participants?*

**John McFARLANE:** Yes, I will share this answer with Peter. The reason we changed it, was very simply the fall in the share price, therefore it did not make it as attractive to shareholders. And that was the reason. And in fact, the number of people who subscribed was relatively small, but they all have the option now to change those subscriptions to the new discount periods. And we have also said we want to lower the share count, and if we do not achieve the \$3.5 billion by 11 February 2022, we will launch an on-market buyback with any residual. But Peter, I do not know if there is anything...

**Peter KING:** I would just say, Stephen, there was some early applications, as you usually do in these processes, but you do not expect most of the applications so close to the date. We look at the analysis of different shareholders and how attractive it is. And when we looked at it, the share price, we thought the change in terms was the best thing for all shareholders.

**John McFARLANE:** Yeah, and for that reason, that was not anything to do with why we changed the terms.

Can I have the next question please?

**MODERATOR:** Mr Chairman, we have a question from Ebor Pty Ltd.

*QUESTION: [Ebor Pty Ltd] Chairman, you have noted poor processes, repeated regulatory failures and the requirement to change management, change the culture and fix remediation issues. Given this litany of issues:*

*(1) What implications does this present for the six Board members appointed prior to 2020 who oversaw these failures?*

*(2) Does this imply that Westpac overpaid previous Board and management given, based on your assessment, they were ineffective?*

*(3) How do shareholders hold existing Board and management to account given the failures of previous Board and management that you have highlighted?*

**John MCFARLANE:** Thank you for your question. I did see a general point, which is that the issues have been longstanding. And in fact, if you wanted a number, most of them were before 2019 rather than 2020. And so, a lot of the Directors who are on the Board prior to 2020 actually were recently elected. And therefore, it is a little unfair to say that they really were accountable for some of those issues.

Anyway, it is very important that boards get renewed, and we have changed the Board with five new Directors, and six Directors have retired. The Board has been very focused on these issues, and resolving these issues, some of which, as I say, go back an awful long way. Some of them have gone back to 2001. So, it is really important that we get these things behind us. And that is one of the reasons we have been working with ASIC in particular on the ASIC issues, to just put those behind us, and rather than drag them out, so that we can actually have some blue sky on these issues.

So can I have the next question, please.

**MODERATOR:** Mr Chairman, we have a question from Stephen Mayne.

*QUESTION: [Stephen Mayne] The Chairman made much today of how bureaucratic Westpac was before he joined the Board, and how important it was to completely overhaul the management team, given the poor performance. What does that say about the historical performance of new CEO Peter King, who joined Westpac in 1994, and had been CFO since 2014? How can Peter talk about Westpac being profoundly different from two years ago, when he was a key executive who built the business up until 2019? Could Peter comment on what mistakes he felt Westpac made during his five-year stint as CFO?"*

**John McFARLANE:** Well, thank you, Stephen. Nice try, but I am not going to have Peter answer his own question here. I will deal with that. We were very careful in our deliberation as to who we should appoint for the Chief Executive, and if you remember, Peter was acting as Chief Executive at the time and doing

a good job of it. We did have internal candidates as well, we had outside candidates, and we chose the best person, which is Peter.

I think, though, I do agree with you that one of the things that I did before I joined and agreed to take the Chairman's role, is I did a 10-year spreadsheet of the financial performance of the company, which is something I always do before I join a Board. And it was fair to say that at the time I did that, which is not quite two years ago, the performance over the preceding five years had been in decline. And so, it is accurate to say that there had been a decline in performance. It was not poor, in that the company, if you recall, was still trading at a multiple of book, and so relative to banks worldwide, it was doing reasonably well. But it was in decline, and therefore, it was something we had to address.

Can I have the next question, please.

**MODERATOR:** Mr Chairman, we have a question from Rhys Alan Matthews.

*QUESTION: [Rhys Alan Matthews] What do you think the future holds for Westpac Group if the Australian Government introduces a Central Bank digital currency?*

**John McFARLANE:** Now, this is something that Central Banks worldwide are in fact considering. And no doubt that will be true here, and in the other places where we are operating. Now, nobody has done this at this point in time. And therefore, Westpac has a working group established to deal with that, as have the Central Banks around the world. So, I do think the impact will actually be closely aligned with the onset of digitisation, and therefore that will go hand-in-hand with the facilitation of digitisation.

But I do not know if, Peter, you wanted to say anything more on that?

**Peter KING:** The one thing I would add is I think the role of retail banks to take deposits, lend money, and do maturity transformation, will always be critical in the economy. I do not see the digital currencies as fulfilling that role. Certainly in

payments, though, there is a lot of different opportunities and disruption coming into payments. But I think the core business that we do will be needed. I have not seen anyone from the Reserve Bank talk about that, taking on that maturity transformation role that the banks do. That I think will stay.

**John McFARLANE:** As Peter said, the private ones are very different to those issued by Central Banks. And therefore, if it is issued by a Central Bank, it then becomes effectively the currency of the country.

Can I have the next question, please.

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

*QUESTION: [Rita Mazalevskis] Chairman, re the recently established Board, Legal, Regulatory and Compliance Committee, last year you and Mr Marriott said non-financial risk required specialist attention, and that you increased the scope of the Committee to cover non-financial risk in general, including compliance, conduct risk, financial crime risk, customer complaints and remediation, and other risk activities. Also, so there could be additional Board focus, legal, regulatory and broader compliance matters which were previously covered by the Board Risk Committee, were transferred to the BLRCC.*

*Given ASIC has recently launched further multiple legal actions against Westpac for continued widespread breaches, do you think the BLRCC is effective enough to cope with Westpac's continued serious breaches, and the Committee members are sufficient in numbers and experience to have oversight of these serious matters? Rita.*

**John McFARLANE:** Rita, thank you very much. I mean, you have clearly done your homework here. But I am very happy with the performance of the BLRCC. I am actually going to have Peter Marriott, who is with us today, to comment as well. Because it is actually a subcommittee of the Risk Committee. I am very happy. And in fact, the resolution of those ASIC matters were brought forward by the BLRCC, which is performing incredibly well, and is operating very effectively.

We also, if you can recall, we changed the management of these matters, and allocated them to a different Group Executive at the same time. And therefore, we thought it was very important to mirror that specialisation at the Board, to improve the oversight of non-financial risks and financial crime. Peter?

**Peter MARRIOTT:** Yes, thanks, Rita, and thanks, Chairman. Yes, I can certainly reinforce that the BLRC has been working very effectively. The matters that you referred to, Rita, that ASIC has recently raised, were in fact in matters that mostly existed before the BLRC was actually even established. And indeed, the BLRC has been presiding over those matters as they have gone to ASIC and then through the processes there.

The BLRC has focused a lot during the current 12 months on financial crime, which you will recall was a key matter for us, and has progressed that very well, to the point we are feeling much more comfortable about our controls over financial crime. So, I feel the BLRC has been working effectively.

**John McFARLANE:** Now, of course, any refunds or remediation to customers we have done, and we have apologised to those customers, and we have dealt with the majority of these issues anyway. The reason for the delay is that ASIC, in order to extract penalties from the Group, they have to go through the courts, and that takes time.

Can have the next question, please.

**MODERATOR:** Mr Chairman, we have a question from Michael Friend.

*QUESTION: [Michael Friend] How many high-net-worth customers have been lost to our competitors, and what is the value of funds lost from those customers as a result of the decision to take away personal business bankers, and replace them with a call centre?*

**John McFARLANE:** I will defer that to the Chief Executive. Thank you.

**Peter KING:** Well, thank you, Michael. In relation to that particular issue, I think

if I look at the mortgage portfolio, where a lot of the business is, we have actually grown that, and deposits. But if there is a particular issue that you would like me to look at, please write to me and I can engage with you directly.

**John McFARLANE:** Can I have the next question, please.

**MODERATOR:** Mr Chairman, we have question from Stephen Mayne.

*QUESTION: [Stephen Mayne] The pledge to cut costs from \$13 billion to \$8 billion by 2024 is incredibly ambitious. How much are we currently spending maintaining our Australian branch network? How large was our branch network at the peak after the St George acquisition? What is it down to now, and what will the numbers likely be at the end of 2024?*

**John McFARLANE:** Well, thank you, Stephen. I will pass the branch question to the CEO. And you are right, the cost target does look ambitious when you look at it going from \$13 billion to \$8 billion. But as I have explained, if you take the underlying costs rather than the increases in costs that we have had to fix and simplify things, as well as those businesses that we are selling, it actually means that the challenge is not as ambitious as we thought.

And I think perhaps we could have done a better job perhaps explaining that in advance to shareholders, because the market has probably seen this as ultra-ambitious. Whereas when you really stand back from it, I do not think an 11% reduction over three years is particularly ambitious. But Peter?

**Peter KING:** Well, Stephen, our physical branch network is changing. It is around 98% of transactions actually happen outside the branches now. So, 2% in the branches. On your question, I think from memory it was 1,100 or 1,200 branches. We are about 840 in Australia at this point in terms of branches. And we have also added the Australia Post 3,500 points of presence as well. So, we have expanded through the Australia Post relationship.

In terms of where that settles in 2024, it will be lower. We have not outlined what

that looks like, because it really depends on customers and digital adoption. But certainly, what we see in the Bank and across the economy is fast uptake of digital. So, branches will always have a role, but they are changing in that role, and they will be more about helping customers with particular needs as opposed to service and maintenance, which is really going digital at the moment.

**John McFARLANE:** I mean, Stephen, it is going to go the way of cheques, in a sense that the branch network will be used for customer service in problem solving areas, rather than for basic transactions. The number of cheques now used in banks is absolutely minimal. And so that said, I think it is very important that clients have a face-to-face offering.

Can I have the next question, please.

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

*QUESTION: [Craig Caulfield] Good morning, Mr Macfarlane. Westpac genuinely engage with us in introducing fairness and model litigant principles. These principles add a degree of fairness when a customer has a serious longstanding or legal dispute with Westpac. As a founder of Bank Warriors, I am privy to many victims' fights with banks. They are invariably unable to match the financial firepower and legal expertise of Westpac. Would the Board please consider adopting equality of arms as recommended by the Attorney-General, so that a victim of banking malfeasance, when in a legal fight with Westpac, has an equal opportunity to fund preparing and presenting their case?*

*As a footnote, thank you to Company Secretary, Mr Hartin, who engaged with us regarding amendments to make access at virtual AGMs for shareholders easier during these difficult times.*

**John McFARLANE:** Well Craig, thank you very much. I know Peter will want to comment on this, but we do use model litigant procedures for our consumer or small business customers. Now, we like to have complaints dealt with at the moment with individual accountable for the customer. And most of our issues get

resolved that way. Where they cannot get resolved, they are passed through an independent body inside the organisation to resolve them, completely separate from those who are responsible from a profit and loss, so that the customer gets a fair hearing. But Peter?

**Peter KING:** The only thing I would add, Chairman, is that is the role of AFCA. And I know, Mr Caulfield, that you think it needs to be improved, and we will certainly work to have the AFCA process improved. And if we do have a longstanding matter, we do look to deal with that through the customer advocate, is the other angle as well.

**John McFARLANE:** I mean, I have been doing this a long, long time. And my experience of the internal ombudsman or the independent people who research, on balance, they find for the customer rather than for the company. And so, I think this is being handled properly.

Can I have the next question, please.

**MODERATOR:** Mr Chairman, we have a question from Maura Lombardo.

*QUESTION: [Maura Lombardo] With regards to the buyback, who is responsible for this? As it has been a significant failure and has not been equitable to retail shareholders. Will there be some accountability on how this has been executed?*

**John McFARLANE:** Well, thank you for the question. I do not think really that given the fall in the share price, we really did not have any choice here but to amend the terms. And as I have said earlier, is we really do want to reduce the share count and that is something that shareholders have been raising with us every year for some time. And therefore, it is really important that we do do the buyback rather than any other means.

We have, in fact, increased the dividend, of course. Shareholders are now getting a frank dividend yield of well over 7% now. And so, we are rewarding shareholders. Ideally, we would have preferred a higher share price. So, we have

amended the terms. In order to make sure that there is a good chance of being executed, we have changed the discount rate. It was 8-14% it is now 0-10% as more of a chance now that that can happen. And we have given people a much longer time to consider this. And also, it gives the market more time to digest information coming out of Westpac.

Peter was there anything else you wanted to add?

**Peter KING:** No, I think we have responded to the conditions. And from a shareholder perspective, all shareholders will benefit through a lower share count.

**John MCFARLANE:** And we will also benefit because we are going to buy back the stock at a lower price, if you recall so could I have the next question please?

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

*QUESTION: [Rita Mazalevskis] Chairman, Westpac divested Pandal and BT Investment Management, which whilst owned by Westpac, it sold its own manufacturer products. Due to serious conflicts of interest, has Westpac initiated any investigation into these serious matters? And is there a mediation process underway for innocent affected customers? Rita.*

**John McFARLANE:** Rita, thank you. I will ask Peter to comment but I will just say one thing, is when we think of some of these longstanding issues, regulatory and customer issues, those ASIC issues, most of them were not in the commercial bank, they were in the businesses that we have either sold, are preparing for sale, or we are looking to sell. And so, these businesses have had more than their share of these issues.

Anyway, Peter, I was not here in 2007 so.

**Peter KING:** Thank you Rita. The sale of BTIM was because of a strategic decision. There were no issues or concerns with that business. And in terms of the superannuation business, which BTIM was an investment for them, they

managed that process, and I am not aware of any issues with conflicts of interest.

**John McFARLANE:** Could I have the next question please?

**MODERATOR:** Mr Chairman, we have a question from Daisy Gardener.

*QUESTION: [Daisy Gardener] Westpac is no longer a Workplace Gender Equality Agency Employer of Choice and is not on the list for the 2020 to 2022 application Group. Being an Employer of Choice recognises progress on gender balance in leadership, gender pay equity, and preventing gender-based harassment as well as other important measures. Why is Westpac no longer an Employer of Choice for gender equality?*

**John McFARLANE:** Peter might add a comment here, but we are complying with WGEA statutory reporting, and therefore we are effectively implementing that. We work closely with them, and we provide our submissions to the Gender Equality Reporting, but we are doing pretty well here. We have got 50% women in Leadership, we have got 40% of female Senior Executives are women, we have joined the investor led 40:40 Vision initiative and we have improved the diversity of the Board.

But I do not know if there is anything specific you want to add Peter?

**Peter KING:** There are many organisations that report on this particular matter. For us, as the Chairman said, it is about being a good employer for women. We have focused on not only representation at Board, Executive, but through the company and leadership and also, we have reviewed the pay gap, and there is no significant pay gaps in terms of pay levels between males and females.

**John McFARLANE:** Next question, please.

**MODERATOR:** Mr Chairman, we have a question from Daisy Gardener.

*QUESTION: [Daisy Gardener] What is the Board doing to ensure there are improvements on gender equality into the future, including best practice, sexual*

*harassment prevention, and response measures?*

**John McFARLANE:** The Board does review this on an ongoing basis and actually has set requirements of women in leadership, which we are already meeting because we already have 50% women in leadership. We have got a new program underway to further strengthen the position on gender. We have got standalone Sexual Harassment Policy in line with legislative changes and 2020 Respect at Work report recommendations. And all Leaders in the company, including the Board, have been through sexual harassment training in the last six months.

Peter, I do not know if there is anything you want to say here, because in general it is a management matter?

**Peter KING:** Yeah, I would just add that one of the major developments this year was we added a no bias standard policy into the policies that the Chairman referred to, and that is a signal from my perspective of no tolerance.

**John McFARLANE:** Can have the next question, please?

**MODERATOR:** Mr Chairman, we have a question from Daisy Gardener.

*QUESTION: [Daisy Gardener] Do you know whether any Board Directors are member of clubs that choose to exclude women?*

**John McFARLANE:** The answer is I have no idea. But in general, these are for people themselves. I am certainly not a member of a club that does not have women members. In fact, I am members of three clubs, none of them are in Australia, believe it or not. And in fact, all of them have women members. But I do not know the answer and it is actually a matter for each Director.

Could I have the next question, please?

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

*QUESTION: [Rita Mazalevskis] Chairman, could you and the Board confirm the Banking Code of Practice continues to form part of Westpac's relevant suite of lending contracts today, which provides consumers safeguards and protections that are not set out in the law? Rita.*

**John McFARLANE:** Well Rita this is easy, yes, it does form part of relevant contracts. Thank you.

Can I have the next question please?

**MODERATOR:** Mr Chairman, we have a question from Mauro Lombardo.

*QUESTION: [Maura Lombardo] With such a significant failure of previous and current Board members and Senior Executives, what is the course of action to hold these Leaders accountable?*

**John McFARLANE:** Look, the Board is accountable for what goes on in the company and as is the management. If management need to do better, then we set programs and then we measure them against those programs and hold them accountable. If they fail, then we change them. And that is a normal management discipline, it is a normal discipline by Boards.

I also get annually a Board review, which includes feedback - independent feedback - on individual Directors, and I have a meeting with each Director, and I discuss the review with those Directors. And so we do hold individual Directors accountable for their performance on the Board. Not individually, because it is the Board as a whole that is responsible for the company, but not individually for matters, individual matters.

Could I have the next question please?

**MODERATOR:** Mr Chairman, we have a question from Stephen Mayne.

*QUESTION: [Stephen Mayne] Westpac has slipped from being close to the most valuable Australian bank after the St George acquisition in 2008, to now being*

*the fifth most valuable bank, having even fallen behind Macquarie Group in recent weeks. As the former CEO of ANZ, would John McFarlane please comment on what has led Westpac to be the worst performing major bank for shareholders over the past decade?*

**John McFARLANE:** Well, Stephen, I agree with you this hurts, okay? And it is not the right position for Westpac. Traditionally, with our business mix, we have always expected Westpac to sit around the number two position. Now, that excludes Macquarie, who are in a completely different business but relative to the other major trading banks, that would be the traditional business.

But when I stand back from it, a number of things have happened at Westpac that I was not aware of when I was outside the organisation, but I have become aware of since I joined the organisation. The first is that we had lost market share in a number of our areas. Secondly, if you looked at the return on equity and the return on tangible equity, which you, I know, are pretty familiar with because you are a former Analyst, Stephen, that if you looked at the period prior to my joining, that had actually on an annual basis been declining, partly due to increases in capital requirements from a regulatory standpoint, but partly due to our own making. And so, it is true that in a number of ways that the company has not been performing.

Now it is only recently that we have shifted from that number two position, and that has largely been a result of our return on tangible equity which is sitting below the comparable majors, and therefore the recent result which we have explained already and the return on tangible equity level currently, which we need to improve, have been a major factor in the rebalancing of that rating of the organisation. What we need to do is completely reverse that, get into businesses that we really should be in, get out of businesses that we should not be in and which are eroding value and then improve the way we run the enterprise for shareholders going forward.

So, can I have the next question please?

**MODERATOR:** Mr Chairman we have a question from Carol Limmer.

*QUESTION: [Carol Limmer] It is Carol Limmer ASA. We have over 1500 proxies and over 9 million votes equivalent to the 13th largest shareholder. What is considered the biggest positive factor in Westpac's current performance and what is the poorest?*

**John McFARLANE:** Well, thank you for the question. I will keep this really simple because I have answered quite a lot of it. Westpac still has a fantastic customer franchise. Also, if you look at the last two years, we have made an awful lot of progress in an awful lot of areas, and therefore that has been really good. Now, I mentioned specifically the exiting of non-core businesses. Of course, the challenge that we have got is twofold. At the macro level, we have got an awful lot on, and we have got to get all of it right and we have got to get all of it done. Now given that where the share price has moved to, which obviously has affected shareholders, that has pushed performance and shareholder value right to the top priority going forward.

Can I have the next question please?

**MODERATOR:** Mr Chairman we have a question from Michael Friend.

*QUESTION: [Michael Friend] A follow-up question, please. Mr King, in your answer to my earlier question, you blamed low market savings interest rates. That is a given. Could you please answer the question as to why Westpac savings interest rates are lower than almost every one of our competitors?*

**John McFARLANE:** I will have the Chief Executive address this thank you.

**Peter KING:** Well, thank you Michael. I think we are competing in deposits in different ways. Certainly, the key people that we look at are the other major banks and some prices will be higher and some will be lower. So, I understand it is a tough time at the moment in terms of deposits, but there will be offers that do match competitors.

**John McFARLANE:** Can I have the next question please?

**MODERATOR:** Mr Chairman we have a question from Rita Mazalevskis.

*QUESTION: [Rita Mazalevskis] Chairman, Directors usually receive an induction pack upon appointment. Among other things, this includes a letter agreement which the Director counter assigns which usually sets out the Director's powers and duties and obliges Directors to comply with relevant laws, policies, procedures and codes. Does this process apply to Westpac's Directors? If not, how are they appointed and how is a Director's conduct and performance assessed and measured throughout their appointment?*

**John McFARLANE:** Well Rita thank you. You are absolutely correct here, this process does apply to us. New Directors do receive an induction pack setting out the conditions of appointment and the Board's performance, as I have said to another question, is assessed annually and individual Directors do get feedback from the Chairman following the Board review and all of this is set out in our Corporate Governance Statement.

When we are looking for new Directors, I like Boards to be relatively intimate so that you do not have to be in a queue to make a comment or ask a question. And so, it is finding that sweet spot between the right number of Directors and not having too many. And I think we are getting pretty close to that by the end of next year if we do not change any appointments with retirements this year and next year, we will probably end up with a Board of nine which is pretty good for Westpac, and it actually does increase the level of intimacy on the Board.

Now of course, the Board has got to fulfil all of its obligations, and therefore we need Directors who are skilled in the major factors that the Board has to deal with. And therefore, the mix of the Board is assessed by the Nominations Committee of the Board which I chair, and we determine the specification of the type of Directors we want. Then it becomes a matter of identifying individual Directors. We always search for Directors because some people do approach us

and in fact, some of our existing Directors that we have appointed did approach us and have been appointed, but in general it comes from outside through a search process. It is a very rigorous search process. There is a rigorous process by the Nominations Committee to make a recommendation to the Board, and in fact we ask individual Non-Executive Directors and the Chief Executive if they would like to interview a candidate who is applying to join the Board, and in general that is granted. So, we have a very, very thorough and rigorous appointment and I think we have a very good Board.

Can I have the next question please?

**MODERATOR:** Mr Chairman we have a question from Josh Kirkman.

*QUESTION: [Josh Kirkman] As the CEO of Surfers for Climate, my job is to mobilise as many Surfers as possible and help them take deeper and more meaningful climate action. It is baffling that as a Bank committed to the Paris Climate Agreement and helping create positive social and environmental impact, Westpac just months ago participated in a \$600 million loan for Beach Energy. As a lifelong customer of the Bank, I won't be sticking around if Westpac decides to continue funding Beach Energy. My mother has worked for the Bank for over two decades and when she soon retires, I will be retiring my financial relationship with Westpac as a result of your current lending practices too. When will the Bank call off its funding arrangement with Beach Energy and commit to not funding any new oil and gas infrastructure or extraction in Australian waters? My experience with Westpac has been great but if you can't change, I'll change for you.*

**John McFARLANE:** Well, Josh thank you. I hope you do not go and do stay with us. Now, I actually do not know whether we do or do not have an arrangement with Beach Energy, but I do not think it is appropriate for privacy reasons for us to discuss any individual customer or any individual exposure. It is just not appropriate for us to deal with it. But I can deal with the generality of what you raise.

And I will be quite blunt here, that the easy decision for this Board and this Bank is to cease financing all fossil fuel exposures and put this issue out of the way. It is the easy decision, and it has happened to a number of European banks who have done that, but given Australia, it is not the right answer. In that the country does need us to finance various parts of the sectors, including electricity generation, and we know that gas is going to be with us for some time to come in order for baseload fuel etcetera and we are not going to be able to deal with renewals immediately.

So we have taken the view that we want to reduce our exposure to fossil fuels and we have cut it by a third. And we are coming out of coal as you know, it will continue to reduce as time goes on, but we want to honour our obligations to the industries that we serve, the customers we serve, and work with them through their own transitions as well as our own, which we think that is the right answer for the customers and it is the right answer for the customer, but we will end up in the same place as you want us to get to eventually but just not now.

Can I have the next question please?

**MODERATOR:** Mr Chairman we have a question from Stuart Palmer.

*QUESTION: [Stuart Palmer] The Chair and CEO have referred to investment in risk management and progress on culture change. We are three years on from the conclusion of the Banking Royal Commission and six years on from the Paris Climate Agreement. While resolution of the latest ASIC proceedings may have been accelerated with the help of the BLRC, those proceedings raise ongoing questions about managers failing to elevate issues for action and about under-investment in preventing, identifying and fixing problems with these concerns and incidents still continuing into 2021. On climate, strategies and targets for high emission sectors like oil and gas are still being deferred to future years. The latest Promontory report suggests an organisation still struggling with compliance and staying the course. How does the Board and Management assess whether it is on track with its transformation and that sufficient investment*

*has been made?*

**John McFARLANE:** Well, thank you for your question. I have just answered a question on climate change that I said I would not answer until later on in the proceedings, however, I did answer it because you asked it. But so, I am not going to cover the climate change aspect of what you say here. We will deal with that, now, with respect to compliance, it is a very, very important issue for the organisation. As you can see from the number of issues that we have had from the AUSTRAC matter ongoing. And therefore, not only do we have management processes that have been upgraded and have continued to be upgraded, and a number of workstreams, in fact, there are 19 workstreams with 327 activities, 149 of which have been completed. That program is overseen by the Management, the CEO but also by the Group Executive, who is responsible for that area but also by the Board, the Risk Committee and the BLRCC Committee. And so, this is getting a lot of attention, a lot of oversight and a lot of time. These committees sit for several hours considering these matters and I can assure you this is being treated fairly by the Board and by the Management.

Now hopefully, gradually these items get put to bed, our capabilities increase and therefore, this program, all other things being equal, we expect to be completed by 2023 and ongoing up until that point. So, we have made a lot of investment in this area in risk management, and we are comfortable with the amount that we are spending and if anything, as we are fixing items, we really want that number to come down and to improve returns.

Can I have the next questions, please?

**MODERATOR:** Mr Chairman, there are no further questions from the online platform. The first telephone question is from Dr Peter Sainsbury. Please go ahead Peter.

*QUESTION: [Dr Peter Sainsbury] Hello, sorry, I was just making myself a coffee, so I have just returned to my computer. Thank you very much indeed for inviting*

*my question. I have two questions, both related to the annual report, Mr Chairman. Page 29 of the report shows that our exposure to the retailing and distribution of oil and gas increased by almost 60% year on year from \$1.3 billion in financial year 2020 to \$2.1 billion in financial year 2021. I note this is inconsistent with the trend of our overall oil and gas exposure, which has decreased by 20% from \$7.5 billion in financial year 2020 to just over \$6 billion in financial year 21. So what is driving this increase in exposure to oil and gas retailing and distribution? And do we intend our exposure across all oil and gas subsectors to decline moving forward in line with our commitment to The Paris Agreement? Do you want to answer that, or would you like me to ask my second question?*

**John McFARLANE:** No, we will answer that question. We do expect them to decline but (a) I want to thank you for reading the Annual Report and (b) I will pass the question to Peter.

**Peter KING:** Peter, there was one particular large transaction, proposed transaction with a customer related to M&A, which was in our exposure at the end of the year. The transaction did not go ahead, so that will actually reduce this year, but as the Chairman said, these areas will be reduced down but it was one particular transaction that drove that increase. There were some small increases in other customers but that M&A transaction was the particular one.

*QUESTION: [Dr Peter Sainsbury] Excuse my ignorance, what is M&A?*

**Peter KING:** A proposed acquisition.

**John McFARLANE:** One company wanted to acquire another company and asked us to finance it.

*QUESTION: [Dr Peter Sainsbury] Well M&A, thank you, Question two. Again on page 29 of the Annual Report and under the heading 'Mining Exposure', we reported our exposure to oil and gas extraction is \$2.4 billion in 2021 but this figure is different to one reported on the same page under this heading 'Energy*

*Sector Value Chain', where just to explain, the exposure to oil and gas extraction and exploration is reportedly about \$2.2 billion, basically adding up \$1.84 billion and \$0.33 billion with a bit of rounding. This is a bit confusing for a simple soul. Is our exposure to oil and gas extraction \$2.4 or \$2.2 billion?*

**John McFARLANE:** Thank you. Fortunately, our Chief Executive was the former Chief Financial Officer.

**Peter KING:** It is exploring for oil and then someone actually extracting oil. I missed the nuance of the question, sorry, so if you add them together you are looking at exploration and extraction, so looking for oil as well as extracting oil. I do not know if that helps or not.

**John McFARLANE:** He is basically saying the two numbers are correct and consistent. Could I have the next question, please?

**MODERATOR:** Mr Chairman, we have a question from Jean Christie for Linda Wilson. Please go ahead Jean.

*QUESTION: [Jean Christie for Linda Wilson] Good morning. The International Energy Agency stated earlier this year that no new fossil fuel projects could be approved in order to achieve net zero by 2050. In light of this, when will Westpac commit to provide no further finance to companies such as Woodside and BHP, who are planning to develop controversial Scarborough gas fields off the Western Australian coast?*

**John McFARLANE:** Well, Jean, thank you for the question, which I have answered in general anyway, in that we cannot comment on individual exposures, but also that I think we are doing a good job as the least exposed bank in this area and we are making very big reductions and we will continue to make big reductions in our exposures. Peter?

**Peter KING:** Any...

**John McFARLANE:** But unfortunately I cannot comment on the specific question

you raised, but in general we are getting lower and lower exposures as time goes on, which we think is the right answer. Can I have the next question, please?

**MODERATOR:** Mr Chairman, we have a question from Glenn Walker. Please go ahead Glenn.

*QUESTION: [Glenn Walker] Thank you. The United Nations and International Energy Agency have both clearly said that Australia needs to stop burning coal for power generation by 2030 to meet the goals of the Paris climate agreement. Given the Bank supports the Paris climate agreement, will the Board commit to aligning its climate policies with this 2030 deadline as soon as possible by not funding companies burning coal beyond 2030? And specifically, will the Board commit to not funding AGL or its proposed spinoff company, Accel Energy, unless that company brings forward the closure of its coal-burning power stations from 2035 and 2048 to at least 2030?*

**John McFARLANE:** Well, again I am not going to comment on AGL or any other customer. And we are fairly public that we will have no thermal coal exposure beyond 2030 but we will continue to finance metallurgical coals in the meantime. Peter?

**Peter KING:** I think the only thing I would add is, 79% of our lending for electricity generation in Australia and New Zealand is to renewables now, and obviously we will work with these customers to be Paris aligned in terms of working with their transition.

**John McFARLANE:** We actually will require the customers to be Paris aligned and for their disclosures to be adequate in order for us to consider financing transitions and helping them with their transitions.

Could I have the next question, please?

**MODERATOR:** Mr Chairman, we have a question from Jeff Bertolus. Please go ahead Jeff.

*QUESTION: [Jack Bertolus] Hi, it's Jack Bertolus and I'm from Market Forces. According to analysis from Market Forces, since 2016 Westpac has loaned over \$2 billion to 14 companies developing new or expanded fossil fuel projects. Earlier this year, the International Energy Agency concluded that achieving the global goal of net zero emissions by 2050 leaves no room for new fossil fuel supply projects, yet Westpac threatens to continue with track record of funding companies like Whitehaven Coal, Santos and Woodside that are actively developing massive new and polluting coal and gas projects. For example, major gas producer and Westpac customer, Woodside, recently announced its intention to develop the largest gas project Australia has seen in a decade. Over its lifetime, emissions from the Scarborough Pluto Project would total 1.6 billion tonnes of CO<sub>2</sub>, equivalent to 15 coal fired power stations running for 30 years. As the Bank has supposedly committed to net zero emissions by 2050 and the Paris Agreement, when will Westpac commit to stop funding companies whose business plans are consistent with the failure of these climate goals?*

**John McFARLANE:** Now, Jack, you do know you are going to speak to us later exactly on this subject, and therefore, we will take all of that then, notwithstanding we have already answered the question that we are not going to talk about the individual exposures, and we have explained our policy position very clearly. But you are going to get another crack at this one anyway later in the meeting.

Can I have the next question, please.

**MODERATOR:** Mr Chairman, we have a question from Marie from Akosi Investments. Please go ahead, Marie.

*QUESTION: [Marie] Good morning. I have two questions. My first is, approximately half of Australia's largest super funds by assets under management have divested from thermal coal, and some are cutting investments in oil and gas producers across their entire funds. I am asking this question at Item 1, because climate change is a material business risk, and therefore appropriate for consideration at this item.*

*So, my question is, BT Super's default option still has no fossil fuel exclusions. Will BT Super continue to lag its peers in this regard, or will it move to a leadership position by divesting from oil companies pursuing fossil fuel expansion, which is incompatible with the Paris climate goals?*

**John McFARLANE:** We will actually deal with the generality of this question, Marie, later on. But Peter, is there anything you can say about BT?

**Peter KING:** Well, I think the first thing is the superannuation business has its own independent Board, which has to meet the requirements. So that is where the decision is made, and they make it in the best interests of shareholders. We will certainly provide the feedback to that Board.

From the Group's perspective, superannuation is one of the businesses that we will be divesting out of the Group portfolio. So, we do not see it as a long-term issue for the Group in terms of superannuation investment.

**John McFARLANE:** Well, thank you for your question. Can I have the next one, please.

**MODERATOR:** Mr Chairman, we have a question from Sally Hunter. Please go ahead, Sally.

*QUESTION: [Sally Hunter] Hi there. I am Sally Hunter and I am calling in from my farm near Narrabri in north west New South Wales on Gomeroi Country. I am a long-term Westpac customer, and my local renewable energy company is also a long-term Westpac customer.*

*Thank you for clarifying that you only have half a billion dollars for investment in coal mining companies now. But from my calculations, that means 22% of that investment would be with Whitehaven Coal, who is a pure clay coal company, with no plans to transition. You have stated that you will exit thermal coal by 2030. But in terms of Whitehaven's Narrabri underground expansion, that will seek extra investment from you soon, pending approval, they have been telling*

*us locally, very proudly, that that will keep them mining well beyond 2040. It is worth noting that this expansion will produce only more thermal coal, and it will be a large emitter of Scope 1 and 2 emissions.*

*I would like to raise with you what a poor choice in investment that this company is. Whitehaven, along with its associated entities, has so far had 46 breaches, fines, official cautions, and penalty notices in the last nine years. 46 is not a normal way of doing business. This is a systemic, calculated and planned method of operating. It is a conscious decision to break the law, do the illegal activity, and accept the fine as part of the cost of doing business.*

*Their most recent environmentally and socially reprehensible behaviour was being found guilty for stealing surface water for more than three years, during the height of the worst drought in living history. This was a deliberate, proactive action to steal water whilst the rest of us suffered the drought.*

*By providing finance to an environmentally and socially reprehensible company like Whitehaven, Westpac's Board, staff and shareholders are part of the problem. The standard that you walk past, is the standard that you accept. We invited Westpac staff to meet with four of my neighbours and myself earlier this year, but this was not responded to. I hope this will happen in the future.*

*My question to the Board and shareholders of Westpac is, when will you halt financing environmentally and socially reprehensible companies such as Whitehaven Coal and its associated entities? Thank you.*

**John McFARLANE:** Again, Sally, you know the answer. It is by 2030, and it will be declining between now and then.

Can I have the next question, please.

**MODERATOR:** Mr Chairman, we have a question from James William Seville. Please go ahead, James.

**QUESTION:** *[James William Seville] In May, the Federal Court found that the*

*Minister for Environment has a duty of care to protect young people from the harms caused by climate change. As climate change is a material business risk, I believe it is appropriate to consider this question under Item 1.*

*In his judgement, Justice Bromberg found that evidence demonstrates that a reasonable person in the position of the Minister would foresee that by reason of the Vickery Project's effect on increased CO<sub>2</sub> in the Earth's atmosphere, and a consequential increase in global surface temperatures, each of the children is exposed to a risk of death or other personal injuries.*

*The Vickery Coal Project is being developed by Whitehaven Coal, a company Westpac loaned \$110 million to in February 2020 as part of a syndicated \$1 billion facility. Whitehaven has indicated it will seek to refinance its facility in 2022. I am one of the young people that brought the class action against the Environment Minister, Susan Ley, over the Vickery Extension Project. What risk assessment of Whitehaven has Westpac conducted, and will this be updated to consider the risks of death and personal injury outlined by the Federal Court?*

*Given Whitehaven's intention to refinance its debt facility in 2022, will Westpac commit not to refinance this deal, and rule out funding for any other companies pursuing new coal mines and extensions? Thank you.*

**John McFARLANE:** Well, thank you again. As I have explained several times that I cannot answer that question, but we will exit thermal coal by 2030.

Can I have the next question please?

**MODERATOR:** Mr Chairman, we have a question from Abigail Sheppard. Please go ahead, Abigail.

*QUESTION: [Abigail Sheppard] Oh, good morning, everybody. My question is about legal risk to Westpac. Other questions have referred to the International Energy Agency reporting that in a plan to achieve net zero by 2050, there is no need for investment in new fossil supply. And you have said widely that Westpac*

*is committed to managing its business in alignment with your support for the Paris Climate Agreement for the need to transition to net zero emissions by 2050.*

*What I want to ask you about, is about the additional legal advice that we have had from Noel Hutley SC and his colleague. In April this year it was published by the Centre for Policy Development about corporate legal obligations in connection with climate issues. That advice clearly identifies how important it is for companies to have a reasonable basis for their statements about climate goals and targets, and about the risk and legal consequences of greenwashing, that is making inaccurate commitments without a reasonable basis.*

*Now, despite this, Westpac has continued to support fossil fuel projects, and including some new ones. And I am well aware of your target that you are going to get out of fossil – sorry, thermal coal by 2030. But in the light of the matters that I have referred you to, and Mr Hutley’s advice, are you concerned about Westpac having engaged in greenwashing?*

**John McFARLANE:** Well, look, thank you for your question. I have got the Chairman of the Risk Committee and the Chief Executive here may be able to help with this. But I think the one thing is, all our policies are legally scrutinised, and therefore, this is no exception.

**Peter KING:** Well, I think on disclosure we are following the TCFD guidance in terms of disclosure, and we believe that we are disclosing appropriately, so you can see what exposures do we have, and we had a question on that before. In relation to other disclosures that we make, we carefully consider the basis on which we are making all disclosures, including environmental disclosure. So, it is treated seriously, and our commitments are treated seriously as well.

**John McFARLANE:** Can I have the next question, please.

**MODERATOR:** Mr Chairman, we have a question from Helen Adele Deans. Please go ahead, Helen.

[Pause]

**MODERATOR:** Helen, are you there? Mr Chairman, we will move to the next question. The next question is from Julian Vincent. Please go ahead, Julian.

*QUESTION: [Julian Vincent] Thank you. My question goes to page 30 of the 2021 Sustainability Supplement, where it states that from this year, we expect new oil and gas and metallurgical coal customers to have publicly disclosed Paris-aligned transition goals. And there is an inconsistency that gets created with this, because we have also said that we will wait another two years before establishing PEC criteria for the sectors representing the majority of our financed emissions, which includes oil and gas companies.*

*So, what this inconsistency means is Westpac can continue funding oil and gas majors like Woodside and Santos, and I am not asking you to comment on client relationships. I am more than happy to clarify for everybody that there is a client relationship with Woodside and Santos. Both of these companies are pursuing massive new gas projects, which undermine the goal of net zero emissions by 2050, which we are signed up to commit to. And the next two years will determine whether these projects proceed.*

*So can you provide any rationale as to why an exemption has been created for existing clients in the oil and gas sector to have another couple of years within which they could conceivably lock in billions of tonnes more CO<sub>2</sub> emissions before they are required to demonstrate any sort of alignment with Paris, which to date, they have shown no intention of doing.*

**John McFARLANE:** Julian, look I do appreciate you asking questions related to Item 6 in Item 1. We all know that this has nothing to do with our financial reporting, it is to do with climate change, is the thrust of your question. Peter, I do not know if there is anything specific...

**Peter KING:** Julian, thank you for the question. We did add the new requirement this year, as you referenced in your question, for new clients. In relation to our

approach to oil and gas, we are doing the work now. So that is one of the six sectors that we are doing the heavy lifting and analysis on now, and that will build into our future refresher plans.

**John McFARLANE:** Can I have the next question, please?

**MODERATOR:** Mr Chairman, we have a question from David Graham Chadwick. Please go ahead, David.

*QUESTION: [David Chadwick] Good afternoon. My name's David Chadwick and I am from Coonamble. Over the last 40 years, I have operated the livestock and property agent across the eastern half of Australia. We also have a family farm of about 10,000 hectares of which we produce, amongst other things, over 100,000 serving of beef per day, 365 days of the year. Our business is only one small cog in the wheel that feeds the world, but if we are going to continue to keep producing food, we need you to stop funding the companies responsible for what we consider the single greatest threat to rural communities, and therefore food production, coal seam gas, or CSG for short. We call it Mother Nature's melanoma.*

*Of particular concern is Santos is Narrabri Pilliga CSG project, which is proposed for the most sensitive recharge zone of the Great Artesian Basin. The proposed APA Western Slopes pipeline and Queensland Hunter pipelines facilitate this risk. Not only will these projects contribute to global emissions, but they threaten the Great Artesian Basin, which is the only secure and unpolluted water supply of 23% of Australia. There are plenty of alternative sources of energy, but there are no alternative sources of food. With food inflation at 30% and forecast to rise further, we need to consider what is going into our children and grandchildren's lunchboxes.*

*Has the Bank considered the threat of CSG and associated infrastructure to food production and the consequence of the opportunity costs? And whilst I note your previous comments about your 2030 position, shouldn't you therefore, with the*

*food production issues in mind, consider completely stop funding these companies proposing and developing these dangerous CSG operations, and their associated infrastructure within our communities? Thank you.*

**John McFARLANE:** Well David, your point is well made here. As I have said before, an easy call for us is to have shorter AGMs by not being in this exposure at all, but the trouble with that is that there are a range of positions here from those who wish an acceleration of the reduction, and those who wish us to continue to finance, and, of course, some of this is consistent with Government policy both federally and in the states. So, whatever we do here, we are going to be in trouble with somebody. So we are trying to find the best position here. I think we have done reasonably well here.

Firstly, we do have targets. Secondly, they are Paris-aligned, and thirdly, nearly 80% of our lending is to renewables and not to fossil fuels. In finding that middle ground, in all honesty, I think we are doing a pretty reasonable job and we are doing a better job than some of our competitors.

So can I have the next question please?

**MODERATOR:** Mr Chairman, we have a question from Peter Starr, please go ahead Peter.

*QUESTION: [Peter Starr] Good morning, Mr McFarlane and good morning, Mr King. It seems two years ago when a number of us shareholders, and I represent a number of shareholders, I am also a private equity advisor and I am representing clients of the Bank as well, not my clients.*

*Two years ago, we talked about fixing issues within the Bank and culture and fixing, so we would not be smeared all over the television. Well, you tell me, Mr McFarlane, and you Mr King, what has changed? We have to have Channel 9 drag Westpac because we cannot get a person's home loan right, then we have to compensate them. Who released the funds, and overseeing the Bill Papas scandal, as it's become known as, who signed off on all that nonsense?*

*Then on top of that we have got \$1.3 billion of write downs, and to further top it off, Mr McFarlane, I know this is not your doing, you have only come in and we have lost – we have got rid of six Directors who were probably asleep at the wheel of the Board. But there is no accountability here. Who is going to put their hand up and take accountability for the Papas scandal? Who is going to put their hand up and take accountability for the \$1.3 billion write downs that the Bank has had to do?*

**John McFARLANE:** Well look, I am not sure who is the most frustrated here, you or me, in that I actually agree with you here that these things should not happen. Although, I have said before, a lot of them are very longstanding; even the AUSTRAC matter, which was the \$1.3 billion, went over a very long period of time in history. So it was discovered prior to my time, but the cost of it is in my time. So it is actually very frustrating. And of course, I will not comment specific, even though it is public on the fraud you mentioned, that these things should not happen and I can tell you when those do happen, there is accountability certainly in the management team.

I do not think there is any individual Director who is accountable for individual matters, but look, I agree with you. This is incredibly frustrating for me. It is frustrating for the Board. It is frustrating for the Chief Executive, and it should not be happening now. Another thing, a lot of these issues have arisen in stuff we do not want to be part of. Therefore, we are dealing with that strategically. That will be the bulk of certainly the ASIC type issues. So, that is one way of dealing with it.

The other way of dealing with it is not making mistakes in the first place, and when you have made them, dealing them quickly and making sure they cannot happen again.

Now we have got an enormous program and a lot of costs because you have seen – I said to you that the Fix had \$1.1 billion in costs alone in 2021, so we are throwing a lot of bodies and a lot of money and a lot of Board time at actually

trying to get to the end of this. The only thing I can say to you is, it is actually getting better in that there are less issues.

As we knock an issue on the head, unless we find a new one, which we do find because we are uncovering stones, things gradually get better. Now, I cannot promise you, and no bank can promise you, we are not going to make any mistakes, because that is just not the real world. What we have got to do is be better than everybody else, and that is our mission.

I do not know if our Chief Executive wants to say – but look, you are absolutely correct. You are within your rights to be frustrated here. I think I am more frustrated than you are, but I am more accountable than you are, and therefore, we have just got to get this done.

Can I have the next question, please?

**MODERATOR:** Mr Chairman, we have a question from Marie from Akosi Investments. Please go ahead, Marie.

*QUESTION: [Marie] Good morning. Page 20 of our sustainability supplement states that BT Super was recognised for industry leading sustainable behaviour and genuine commitment to responsible investment principles. However, I was unable to find any information on BT Super's 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 is sustainable or not? And when will the Board commit to transparency and disclose the list of companies that BT Super's money is invested in?*

**John McFARLANE:** Okay, we will have Peter deal with it. One of the things I can say is that hopefully by some time in the next year or so, it will not be a Westpac matter.

**Peter KING:** Obviously, it is the Subsidiary Board, not the Group Board that makes the decisions on investment, given it is mostly superannuation. I

understand that there are further disclosures on the BT website, and I understand they follow the TCFD exposures as well in terms of exposure to fossil fuels.

**John McFARLANE:** Thank you for your question. Can I have the next one, please?

**MODERATOR:** Mr Chairman, we have a question from Peter Starr. Peter, please go ahead.

*QUESTION: [Peter Starr] Thank you. Thank you, Mr McFarlane, you are absolutely right. You can feel the frustration in my voice because I am representing my clients and the stakeholders and shareholders. We are absolutely frustrated. Two years ago we were promised that these things are behind us, and yet, we have got now – been taken to court because we have taken money from dead people. I mean, I do not know how much – the frustration here is really, really – and I appreciate you acknowledge my frustration. You appreciate the question. I am representing the people that have asked me to represent them because they are shareholders or they are investors in the Bank, Mr McFarlane.*

*There needs to be some real accountability here. On another point, it should be noted that Mr Adrian Ahern, who is your Group Customer Advocate, you might want to elevate him a little bit. I have got nothing but praise for him. I have got to tell you, whenever I phone him, he comes back to me straight away.*

*I have got a challenge for you, Mr McFarlane, and for you, Mr King; find some time to have a meeting with me, okay. It is good enough for your Group Customer Advocate, Mr Ahern, to return calls and to speak on all, any matters. So there is my challenge to you, gentlemen.*

**John McFARLANE:** Well that is an easy challenge, of course, we will meet you. We need to make sure we have got your details so that we can arrange it. It will either be physical or it might be by video, depending on circumstances, but we can do that. The other point I would make is, I mean, you cannot make some of

this stuff up, to be honest. It is completely unreasonable some of the things that have happened here, and therefore, I am as bamboozled as you are with respect to some of this stuff. I never promised that we would solve it, and remember it is not two years. I have not actually been here two years, but I did not promise we could solve it in that time, because we knew it was going to take longer and a lot of money and particularly some of the regulatory issues.

Of course, we are finding new ones, hopefully not as bizarre as some of the ones that you have referred to, but hopefully gradually we sort of get to the end of this, and get the company back on track. But look, very happy to meet you, and I think it will be interesting. So, please, let's make sure we can do that. We will make sure one of us does it, whoever is appropriate at the time, if that is all right.

Peter knows more about the company than I do, as you can imagine. But I am very happy to meet you, if that is what you want to do.

Next question, please.

**MODERATOR:** Mr Chairman, we have a question from David Payne.

*QUESTION: [David Payne] Does the Bank generally earn a relative higher return on finance provided for oil, gas development or retailing activities?*

**John McFARLANE:** Well, the answer to that, I will answer, and that is no, it does not. It actually generates far higher returns in retail, which is partly one of the reasons we are reallocating capital away from lower return segments to higher return segments.

Can I have the next question, please?

**MODERATOR:** Mr Chairman, we have a question from Peter Starr. Please go ahead, Peter.

*QUESTION: [Peter Starr] Thank you, Mr McFarlane, and thank you, Peter. Just so you are both aware, Mr Ahern has all my details, and I am sure he would be*

*happy to facilitate that. So, I thank you for that on behalf of the people I represent.*

*Thank you for your candid answers. It is appreciated. I want to pay my respects to Stephen, who is going to undergo the surgery. I wish him well, and I hope he can make a recovery. Our thoughts are with his family as well.*

*Please, Peter, you are the CEO of the Bank. When these things were going to happen, you were going to lead the Bank, you were its Chief Financial Officer, you have now stayed. You have been gazetted in. You have to look at management, you have to find out why these things are still happening, Peter. It is not good enough that Channel 9 drags us screaming and kicking, because a loan application cannot be processed properly, they lose their deposit, and it is through the fault of Westpac, and then you compensate them. And it should never have happened. And if you do not have those details, and you are not across it, I suggest you talk to the Group Customer Advocate, because he is across it.*

**Peter KING:** No, I know the matter, Peter.

**QUESTION:** *[Peter Starr]* right.

**Peter KING:** I appreciate your comments, and the Management Team is doing all that we can to line up around customer, and improve our policies, processes and technology. We do not always get it right, unfortunately, but we do get it right in a lot of times. But you rightly highlight a case that should not have happened.

**John McFARLANE:** And Peter, I know it is no excuse, but a lot of issues that have been arising have been in businesses that we no longer want to be in, and therefore there will be a drop-dead time on all of those, because we will not be in them. I mean, we will have some indemnification for certain aspects. But in general, that will make it a lot easier to run a business that we know how to do, much better than what we have been doing in the past. And thank you for your compliments.

Can I have the next question, thanks.

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

*QUESTION: [Rita Mazalevskis] Chairman, when Westpac provides a customer an unsuitable, incorrect loan, this can be a complex financial arrangement by the Bank, and may be in another currency, and can have detrimental impacts, and causes the borrower to suffer actual losses, including through increased interest, fees and charges, depending on the Australian dollar, due to foreign exchange markets, which can be volatile. The amount owing under the facility can increase significantly, and Westpac may enforce a credit limit reduction if this occurs. This causes the customer unfair significant financial harm. Does Westpac alert their customers of these errors? And how does Westpac address, rectify and compensate their customers who relied on the financial expertise of the Bank in the first instance?*

**John McFARLANE:** Well, Rita, thank you for asking a foreign exchange question, given I used to run foreign exchange. So, I know a little bit about it. And you are making absolutely the right point, is that if it is in a different currency and credit limits are struck in our local currency, then this risk is real. But Peter, I do not know if there is anything you want to say here?

**Peter KING:** Well, Rita, it feels like an issue that Westpac had in the past. I am not aware of that issue now, but I am certainly happy to hear from you if there are specifics that I need to look at.

**John McFARLANE:** Okay, can I have the next question, please.

**MODERATOR:** Mr Chairman, we have a question from Carol Limmer.

*QUESTION: [Carol Limmer] It is Carol Limmer from the Australian Shareholders Association. We have over 1,500 proxies with over nine million votes, equivalent to the thirteenth largest shareholder. What currently concerns the Board Chair the most with Westpac's current performance, and what is being done to fix it?"*

**John McFARLANE:** Well, thank you, Carol. Actually, you have asked this in a different way earlier, and so I will just simply say this; that we have got a lot to fix here, and in terms of creating a better performance for the Group. And as I said before, the key thing is to identify these things, put programs in place to fix them, make sure they happen, and then get it done and put it behind us. But as I also said, what concerns me the most is the bulk of that. But in particular, our financial performance needs to be improved. Next question, please.

**MODERATOR:** Mr Chairman, we have a question from Marie Kovolph.

*QUESTION: [Marie Kovolph] This is a finance and funding question. Dr Lucy Watt is an emergency physician and a longstanding customer of Westpac. In 2017 when Cyclone Debbie struck the northern part of New South Wales, where she lives and works, her patients, colleagues and Dr Watt herself were flooded in at their hospital. For three days she worked in the ED, providing care for severely ill patients who had no choice but to ride it out. Months later, Dr Watts' community are still seeing the effects of Debbie in people who have lost loved ones, livelihoods and homes.*

*Despite the climate crisis Australians are already experiencing, Westpac is still willing to provide finance for Australia's biggest carbon polluter, AGL, who intend to keep polluting until 2048. So, on behalf of Dr Watt and other health concerned professionals like her, will Westpac agree to stop funding energy companies whose policies are not in line with combating climate change?"*

**John McFARLANE:** Well, again, thank you. I have answered this several times, and yes, we actually are reducing funding to companies whose policies are not in line with combating climate change, as you suggest. And that will be stronger and stronger as time goes on.

Can I have the next question, please.

**MODERATOR:** Mr Chairman. We have a question on the telephone from Peter Starr. Please go ahead, Peter.

*QUESTION: [Peter Starr] Yes, thank you. Mr Chair, given that we had the \$1.3 billion in write downs, if those write downs did not occur and hadn't those impairment charges, what would the dividend really look like for shareholders? That is the critical thing here.*

**John McFARLANE:** Yes. Well, look, I do not think - I will give it to you in a minute - But Peter, I do not think it specifically would have affected the dividend, for two reasons. One, in the first half of last year, no, the previous year, we were not allowed to pay dividends at all. And the second half we were unable to pay a reduced dividend, which obviously would have been reduced by any charges.

I think the fact that we have paid out the maximum, and with respect, or near the maximum, with respect to our payout ratio, that I do not think that specifically has caused us to have a lower dividend payout for last year. And because I think we would have probably stuck to that payout ratio. Now, we might have had more to pay out ...

**Peter KING:** So, Peter, it is a bit of a technical answer, unfortunately, but the majority of those assets that were written off related to goodwill and software capitalisation, previous expenditure, which were already deducted in our capital ratios, so it had no impact on our Common Equity Tier 1 or our excess capital, if you like. So, it did not really impact our capital position, therefore has not impacted on the size of the dividend or the buyback.

**John McFARLANE:** Although the size of earnings generally does, because of the dividend payout ratio, does influence the size of the dividend also. Can I have another question, please?

**MODERATOR:** Mr Chairman, we have a question from Helen Adele Deans. Please go ahead, Helen.

*QUESTION: [Helen Adele Deans] Hi, I am Austin, I am on behalf of Helen. I am a young person from Melbourne. I am from School Strikes for Climate, a national organisation that has young people from all across Australia, with our biggest*

*strike getting 300,000 young people involved.*

*I, like so many young people from all over Australia, are concerned about the climate crisis. Young people will see the effects of climate change caused by fossil fuels. That is why my question is, when will Westpac commit to stop funding new fossil fuel projects and instead focus on the transition to clean, renewable energy?*

**John McFARLANE:** Well, thank you very much. And you have obviously got a big organisation there behind you. Look, the answer is we are doing the right thing as far as we can judge at this point in time. We are making the right progress, and I think we will end up in the right place. But perhaps a little later than you would like us to.

Can I have the next question?

**MODERATOR:** Mr Chairman, we have a question from Maura Lombardo.

*QUESTION: [Maura Lombardo] How will Westpac rein in costs across the Group?*

**John McFARLANE:** Well, I will let Peter answer that. But essentially, we have got a massive cost reduction program in place, and we have set targets on that for this year, next year and the following year. And those have all been approved by the Board. And we will monitor that progress is made in line with those. Peter?

**Peter KING:** Four areas I would just highlight. The first is improving our risk management, our control framework will see lower notable items. So that is the first large bucket. The second one is, as we exit the businesses we want to exit, we will see the costs reduce. We will get some capital back as we sell. The third bit is, less one-off investment in the fixing of risk management. And then finally, the reduction of the \$9 billion cost base to \$8. So, the Chairman and I went through that in our upfront remarks. But there are four buckets that we are particularly focused on there.

**John McFARLANE:** Yes, I mean, look, it is the right question, because if we execute this, which we believe we will, this is a massive increase in profitability, which therefore gives us more capacity for dividends and for capital returns for shareholders. So, you are raising the right point here.

Can I have the next question?

**MODERATOR:** Mr Chairman, we have a telephone question from Peter Starr. Please go ahead, Peter.

*QUESTION: [Peter Starr] Thank you. Just to pick up, I appreciate what Mr King had to say in response to my last question, Mr Chair. But what should be noted here is the AUSTRAC fine was cash paid out. When we copped that fine from AUSTRAC ...*

**Peter KING:** Yes, that is right.

*QUESTION: [Peter Starr] Yes. So that does affect the dividends. And one other thing, Mr McFarlane, and this is probably to you, Peter. What other outstanding legacy cases is Westpac, whether they be individuals or whatever, are we working on? And is the Group Customer Advocate being given the power to get those things fixed and resolved, so we can get those matters off the books, in your words, and settled so we can move it forward?*

*You know, I remember two years ago, and this was before Mr McFarlane came. And I know he has had experience as the CEO of ANZ. But given the fact that we suffered so badly through that AUSTRAC debacle, and the terrible things as investors and customers and everything else of the Bank, what an absolute disgrace that was. And you know that, Peter. So, thank you.*

**John McFARLANE:** Well, look, just a general point. I mean, we would rather not have paid that fine, as you can imagine. But it was the only way that we could just put this matter behind us. But Peter?

**Peter KING:** Yes, so you are right on the AUSTRAC fine. And certainly, at the

time of the 2019 AGM, I expressed how disappointed that I was, both in what happened in the company and what we did to kids. No, it was bad. But looking forward, we have got to invest to improve the risk management, which we are. And we have sorted out the financial crime piece and got it up to a level that we need. Now we need to do the same in the Bank, assuming that we are successful in exiting the businesses that we want to exit. And that needs us to get back to running a great Bank, running it well, running it end-to-end, focusing on the customer, and that is what the program is about.

In relation to outstanding matters, there are still a few. We note them in our Contingent Liability Report. And in relation to Adrian and customer matters, we will work through those. See, he calls me if he needs to, he has full delegation to sort matters out, and often he does without calling me, but if he needs to get me involved, then he just calls me. Adrian does a great job, our Customer Advocate, and we have still got a few issues which are outlined in our Contingent Liability and Directors Report.

**John McFARLANE:** Yes, Peter, anything up to 30 September that is material is disclosed. It has already been disclosed to you. It is only items that arise subsequently, which we hope we are reducing. Can I have the next question, please.

**MODERATOR:** Mr Chairman, there are no further questions for this Item of business.

**John McFARLANE:** Well, thank you. We will now move to the items of business requiring a vote.

#### Item 1

Shareholders were able to vote directly on the resolutions ahead of the AGM, as an alternative to casting a vote via the online platform. Valid direct votes will automatically be counted in the poll on each resolution. Proxy forms and direct votes received before 10:00 am Sydney time on Monday, 30 December 2021,

have been placed in the Returning Officer's possession. All members participating in this meeting and their validly appointed proxies, attorneys and representatives are eligible to vote via the AGM platform, subject to the Voting Rules, and have been entered into the Voting Register. If members need any additional assistance on how to vote, please refer to the online AGM Guide or contact Link, on 1800 990 363.

If you leave the meeting early, please submit your votes first. Voting closes 15 minutes after the completion of the business of the meeting. And that completes the first item of business.

## Item 2

The second item of business is to adopt the Remuneration Report for the year ended 30 September 2021. If you would like to ask a question on Item 2, please submit it now through the AGM platform, or by pressing [\*][1] on your keypad if on the phone.

Under the relevant legislation, the vote on this resolution is advisory only, and therefore non-binding. While the poll on the Remuneration Report has not been completed, based on votes already received, more than 25% will be against this resolution, which means that we will incur a first strike on this Item.

As mentioned in my address, having spoken to many shareholders, we understand the reasons for this outcome, given performance was below expectations. So, while voting on this resolution is advisory, we do take shareholder feedback very seriously, and we continue to engage with shareholders to meet your ongoing expectations. So, I will now take questions on the 2021 Remuneration Report. And can I have the first question, please?

**MODERATOR:** Mr Chairman, we have a question from Maura Lombardo.

*QUESTION: [Maura Lombardo] With Westpac spending \$1 billion on Panorama, who is being held responsible for these decisions and failure on delivery and*

*profitability?*

**John McFARLANE:** Peter, this is a highly technical matter, in that what happened here was a systems change, where we were trying to put into a more effective platform, which was the Cloud, and unfortunately, as does happen in these circumstances, it actually did not institute appropriately and it caused an outage – which was unfortunate, and for which we apologised. Peter?

**Peter KING:** I do not think there is anything else to add, other than it was a complex issue and it took us too long to find, and we did make available alternative mechanisms for people to trade, and refunded the fees for the week and the following week.

**John McFARLANE:** Next question please.

**MODERATOR:** Mr Chairman, we have a question from Stephen Mayne.

*QUESTION: [Stephen Mayne] Well done to Westpac for producing its first AGM transcript last year. Given the interesting discussions across a range of topics today, including on this Remuneration Report, could the Chair undertake to make an archived copy of the webcast, plus a full transcript of proceedings available on the company's website? A number of companies, including Nine Entertainment, Afterpay, AGL Energy, ASX, CIMIC, Domino's Pizza, Freedom Foods, Lendlease, Minimal Resources and Mirvac have produced AGM transcripts for the first time this year. Will Westpac stay ahead of this group by producing a second AGM transcript after today's meeting?*

**John McFARLANE:** Yeah, absolutely, Stephen. The transcript of the meeting will be available on our website as soon as practical after the meeting.

Can I have the next question please?

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

**John McFARLANE:** Well, thank you. The direct votes cast and the position of proxy votes received on Item 2 prior to the meeting will now appear on the screen.

As you can see from the proxies, there is 29.71% votes against. These votes, of course, do not include those already submitted on the platform today, or about to be submitted. Any proxies received 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.

However, 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 on this resolution, and will abstain from voting. Key management personnel includes the Directors. Key management personnel and their closely related parties are, however, permitted to exercise a directed proxy on behalf of a person entitled to vote on this resolution.

I will now formally propose the following resolution, which is to adopt the Remuneration Report for the year ended 30 September 2021. If you have not completed your voting card for the resolution, please do it now. Only eligible voting card holders can vote on this Item. And that completes the second item of business.

### Item 3

The next Item of business is Item 3, seeking shareholder approval for the grant of performance share rights under the Long-Term Variable Reward Plan for the 2022 financial year to the Managing Director and CEO. If you would like to ask a question, please submit through the AGM platform, or by pressing [\*][1] on your keypad or on the phone. A summary of the CEO's incentives are in the Notice of Meeting anyway, with further detail in the Remuneration Report.

Now, the Board believes it is important for Executives to receive a high portion of their remuneration as performance hurdled equity rather than in cash. This encourages longer term increases in performance, and more closely aligns their

interests with those of shareholders. The Board recommends this resolution to you. And I now ask if there are any questions on Resolution 3 relating to equity grants to the Managing Director and CEO? And can I have the first question please?

**MODERATOR:** Mr Chairman, we have a question from Stephen Mayne.

*QUESTION: [Stephen Mayne] When disclosing the outcome of voting today, including on this LTI Grant, would you be able to include data on how many shareholders voted for and against each Item, similar to what happens with a Scheme of Arrangement? This is a disclosure initiative embraced by the likes of Altium, Metcash and Dexus in recent weeks, and provides an insight into retail shareholder sentiment at a time when voter participation at AGMs continues to fall, as many feel overwhelmed by the big institutional investors and do not bother to vote at all.*

**John McFARLANE:** Well, again, thank you for your request, we had some of them prior to the meeting. You make very good points, as usual, and we would be happy to discuss these with you further, which I think is probably better than in this forum. You have got three requests here. One, can we make voting results available earlier? And we have actually had a pre-discussion on that with you; about disclosing the number of shareholders voting in addition to shares; and transcript on the website, which we are already doing.

Can I have the next question please?

**MODERATOR:** Mr Chairman, there are no further questions for this Item of business.

**John McFARLANE:** Well thank you. The direct votes cast and the position of proxies received on Item 3 prior to this meeting will now appear on the screen. As you can see, there are more than 95% votes in favour just on the proxies. They do not include those already submitted on the platform today, and any proxies revoked before the start of the meeting are not material. As the meeting

Chairman, therefore, 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 Chairman, all KMP 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 and their closely related parties are, however, permitted to vote on this resolution, and exercise a 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 associate of Peter are not eligible to vote on this resolution, other than in exercising a directed proxy. And I will now formally propose the following resolution: to approve the grant of performance share rights under the Long Term Variable Reward Plan for the 2022 financial year to your Chief Executive, Peter King, under the relevant LTVR Plan rules, and on terms summarised in the explanatory notice 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 *Corporation Act*. If you have not completed your voting card for this resolution via the AGM platform, do it now. And that completes Item 3.

#### Item 4

The fourth item of business is the re-election and election of Directors. If you would like to ask a question, please submit it through the AGM platform now, or by pressing [\*] [1] on your keypad on the phone.

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, and as indicated in the Notice of Meeting, Craig Dunn is retiring as a Director at the conclusion of this meeting. Nerida Caesar and Margie Seale are retiring by rotation at this meeting, and being eligible, are offering themselves for re-election, in accordance with the Constitution.

Nora Scheinkestel was appointed on 1 March 2021, and Audette Exel was appointed on 1 September 2021, and are both seeking election at this meeting in accordance with the Constitution. I would like to advise that the Board, other than the Director concerned in each case, has considered the performance of its Director standing for election or re-election under this item. And following this review, the Board unanimously recommends that Nerida, Margie, Nora and Audette be submitted for re-election or election to the Board. Each of these Directors abstained from making a recommendation on their own election or re-election.

#### Item 4(a)

The re-election of Nerida Caesar is the next item of business at today's meeting. Nerida was appointed a Director in September 2017. Now, I know in Australia it is common practice, and that shareholders do like to hear from Directors who are coming up for election or re-election, and I will therefore now ask Nerida to address the meeting.

**Nerida CAESAR:** Thank you, Chairman. It has been an honour to serve you as a Non-Executive Director of Westpac for the past four years. Today, I seek your support for re-election for a further three-year term. As the country's oldest Bank, we continue to play a critical role in the lives of Australian and New Zealand consumers, businesses and importantly, economies.

We have supported customers through the pandemic, while responding to our own challenges and carrying out a significant change program to become a stronger Bank. I believe we have the right plan and team in place to turn Westpac around, and I am committed to continuing to serve on the Board and help to steer the company through the next phase of transformation and growth.

My executive career of 31 years was spent in the technology sector, leading large corporate listed and unlisted businesses in Australia and Asia. I have been through many transformations of varying levels of complexity, and I feel I am well

suited for this next phase. I have a deep understanding of customers, products, data and analytics, and technology. These are critical skills in banking today, as the sector digitises and increasingly competes with technology companies. I believe my experience as a Technology Executive and as a CEO of an ASX listed company in my last role, provide a valuable perspective that can help Westpac navigate this next period.

I serve on two committees: the Legal Regulatory and Compliance Committee and the Technology Committee. My skills and background are well suited to both. I also serve on a number of smaller Boards in the technology sector, and Chair a charity that provides consulting and platform services to corporates to support payroll giving for staff.

While the path ahead will continue to be challenging as we rebuild our brand, transform our systems and processes, and develop a truly differentiated customer experience, I welcome the opportunity to contribute my skills and commitment for another three-year term. Thank you for your time and consideration today. I am a committed and dedicated Director, and I would be honoured to have your support today.

**John McFARLANE:** Thank you, Nerida. And can I have the first question, please?

**MODERATOR:** Mr Chairman, we have a question from Stephen Mayne.

*QUESTION: [Stephen Mayne] The Chairman stated earlier in the meeting that some of our new Directors pitched themselves to the Directors, and others were approached by Westpac's head hunting. If comfortable, could the four Directors up for election today please clarify what their situation was, and how they found the recruitment process?*

**John McFARLANE:** Well, look, thank you very much, Stephen. I will not answer the question as to whether they pitched for the role or not, because that would be inappropriate. But, as I understand it, I think it is probably more important that

I answer this question than the individuals, I think the situation that they find themselves was the Board was very thorough and very constructive, and the induction processes were very comprehensive. And I trust that the Directors did find that we handled the issue properly.

Can I have the next question please?

**MODERATOR:** Mr Chairman, we have a question from Maura Lombardo.

*QUESTION: [Maura Lombardo] What value have you provided to Westpac given you have been a member since 2017? What accountability do you take on the recent failures in technology at WBC?*

**John McFARLANE:** Well, again, I will answer that question, in that many of our issues, as I said before, preceded Nerida's appointment on the Board, and I do not think Non-Executive Directors individually need to take individual accountability for any particular issue relating to technology at WBC. So, can I have the next question please?

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

**John McFARLANE:** Thank you. The direct votes cast and the position of proxy votes received on Item 4(a) prior to this meeting will now appear on the screen.

These votes do not include those already submitted on the platform today. 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: to re-elect Nerida Caesar as a Director. If you have not completed your voting form for this resolution, do it now. Only eligible voting card holders can vote on this item.

Item 4(b)

**John McFARLANE:** The next item of business is the re-election of Margie Seale. Margie was appointed a Director in March 2019, and I will now ask Margie to address the meeting.

**Margie SEALE:** Thank you, Chairman. I joined the Westpac Board almost three years ago, and those years have been a time of considerable challenge, change and development for the organisation. We have had to face issues of the past, the need to dramatically transform, and to become a simpler, stronger Bank.

Despite these difficulties, I have been heartened by the qualities that run deep in the organisation. Westpac's values are strong, its people want to, and do help thousands of customers daily, and its franchise is robust. We have learnt a lot in the past few years, and are making progress on strengthening risk management and culture, and refocusing on our core business. But there is much more to do to hasten the delivery of our strategy, build better relationships with customers, and improve performance and returns to you, our shareholders.

The Board's role since I joined has not been an easy one, but I believe we are doing what we must to guide and govern Westpac. In this climate of constant change and ever new demands from customers about how, when and what services they require, the market and you, our shareholders, demand that we both stay on our transformation track as well as invest in the financial services world of the future.

Should I be re-elected today, I will continue to make sure we prosecute both those paths. As Chair of the Board Legal, Regulatory and Compliance Committee, along with my colleagues, I have overseen Westpac's response to the AUSTRAC matter and the improvement of our financial crime processes. Management has worked hard to address and complete all the issues in AUSTRAC's Statement of Claim. You will have heard about the CORE program already this morning, and through that program, risk management and risk culture are becoming stronger and accountabilities clearer. But as the CORE program is only a third of the way through, we have a long way to go and need

to stay the course. This requires discipline, stick-to-itiveness and an eye both on improvements internally, as well as better performance and development externally. I am pleased we are delivering our digital programs with vigour and achieving results, but know that nothing stands still and there is yet much to achieve.

Westpac has always been part of my life. My grandfather was a Bank of New South Wales Bank Manager in the country town of Casino, and like him, I am very proud to serve this company. My experience as an Executive and Non-Executive Director over many years, spanning a range of geographies, complex operating environments and technological and digital challenges, I hope equips me with the necessary skills and insights to contribute to Westpac's future success. I ask for your support for my re-election today. Thank you.

**John McFARLANE:** Well, thank you, Margie. Can I have the first question please?

**MODERATOR:** Mr Chairman, we have a question from Stephen Mayne

*QUESTION: [Stephen Mayne] The Board appears to be set on a plan today of not disclosing the proxy position on Item 6b, the Climate Resolution, until after the debate has closed. Woodside did something similar earlier this year, so shareholders were unable to discuss the record rejection of the Board's climate voting advised at its AGM. Could Margie Seale comment on why she supports withholding the voting data rather than putting it out there early so investors can ask questions if there has been a big climate protest vote?*

**John McFARLANE:** Well, Stephen, I will answer the question. I mean, one of the things I admire about you, is that you are an innovator. And also, the other thing is that you do tell us in advance of the things that you are interested in changing, and which we genuinely appreciate it. But I think we have taken the view that it is not appropriate to have proxy votes influence shareholders, given that all shareholders should have equal information to vote at that AGM, and that

is the view we take.

So can I have the next question please.

**MODERATOR:** Mr Chairman, we have a question from Stephen Mayne.

*QUESTION: [Stephen Mayne] There was a 21% protest vote against Nerida Caesar suggesting that shareholders are lashing out against longer serving Directors. Has Margaret suffered a similar protest, and which of the Proxy Advisors was responsible for recommending this outcome?*

**John McFARLANE:** Look, I think you are making a point that because the company has some long-term issues that, in general, there is a correlation between the longer you have been on the Board, then shareholders are actually imputing some accountability, or greater accountability, the longer you have been on the Board, which may or may not be justified, in fact. So, I do think you are making a point here which seems to be playing out. Now, I really should not answer this question, but Margie did not suffer a similar protest, and as you will see later. Can I have the next question please.

**MODERATOR:** Mr Chairman, we have a question from David Payne.

*QUESTION: [David Payne] Please allow more freedom for the Director Candidates to directly answer questions put to them rather than have the questions deflected by the meeting Chairman. I would like to be able to better assess the quality of the potential Directors by hearing from them more directly. Thank you.*

**John McFARLANE:** Well, thank you, David, for your suggestion. I think we have gone quite a long way in Australia to have the Director speak to you in the first place, which does not happen in most other countries. And so, I think that is a big win for you. I think having them being questioned by you, I do not think is part of the process. So, I doubt that we are going to go in that direction unless it is legally required. But thanks for the suggestion.

Can I have the next question please?

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

**John McFARLANE:** Well, thank you. The direct votes cast and the position of the proxy votes received on Item 4(b) prior to the meeting will now appear on the screen. And as you can see, Stephen, I have answered that question. The votes do not include those already submitted on the platform today. Any proxies revoked before the start of the meeting today are not material. And 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.

So, I will now propose formally the following resolution, to re-elect Margaret Seale as a Director. If you have not completed your voting card for this resolution, please do so now. Only eligible voting cardholders can vote on this Item.

Item 4(c)

Item 4(c) considers the election of Nora Scheinkestel, who is seeking election as a Director. I will now ask Nora to address the meeting.

**Nora SCHEINKESTEL:** Thank you Chairman. Good afternoon everyone. My name is Nora Scheinkestel. I joined the Board in March this year and have served on the Risk and Remuneration Committees. Should you choose to support my election today, I will assume the Chair of the Remuneration Committee after this meeting.

When I was interviewed at the time I joined about why I had wanted to join the Board, I said, Westpac, as a major Australian bank, plays a pivotal role in our society. It is a lubricant of the economy and an enabler of people's dreams. What a privilege to be asked to play a part in helping Westpac complete the transformation it is undergoing and then fulfil its purpose of helping Australians and New Zealanders succeed. I have joined Westpac at a critical moment, both

for the bank and our broader economy and society. As we emerge from the pandemic, Westpac has not only the opportunity, but the responsibility, to play a key role in supporting customers, both retail and business. We will be doing this against a backdrop of significant societal challenges, including climate change and inequality, where the Bank has already shown an awareness and a willingness to engage and contribute to solutions.

I believe I can help the Bank in forging this path forward. I have been a Non-Executive Director and Chairman of both listed and unlisted companies for some 27 years, working across pretty much every sector of the economy. I have served on and often chaired Board Committees across the entire range of a Board's responsibility. I have been through economic cycles; I have been involved in companies at all stages of development and through myriad corporate transactions. I have worked with companies facing profound disruption in their markets and with organisations in heavily regulated industries. Many of the companies I have been involved with have undertaken major transformation programs, including both technological and cultural change, and all needing to deeply understand the needs and wants of our customers who are also experiencing fundamental change in how they want to live, work and play.

My background and experience across all these areas will be of direct benefit to Westpac and the work that lies ahead of us. Westpac is well-progressed on its transformation, but there is still much to do. Peter and the management team are committed to deliver on the strategy of fix, simplify and perform and in so doing, delivering a superb customer experience and appropriate returns to our shareholders. I believe the depth and breadth of my experience will allow me to assist the management team and work with my Board colleagues to deliver on these objectives. Thank you.

**John McFARLANE:** Well, thank you, Nora. And can I have the first question please?

**MODERATOR:** Mr Chairman, we have a question from Stephen Mayne.

*QUESTION: [Stephen Mayne] As the incoming REM Committee Chair, what does Nora think about today's 29.7% protest vote against the REM Report? Does she have a history of dealing with proxy advisors and institutional investors to respond to protest votes such as today's? How does she intend to go about it?*

**John MCFARLANE:** Well, given it is conceptual, Stephen, and it is in the future, I think it is not appropriate to say what she will or will do, but I can imagine she thinks it is fair [inaudible]. But what I will do, is to ask our current Remuneration Committee Chair of an observation as to how he feels about this.

**Craig DUNN:** Thank you, Chairman. Thank you for the question. Obviously, it is a disappointing result, and it is something that we will reflect on deeply, as the Chair said in his opening remarks. As a standard process on the Remuneration Report, which I am sure Nora will adopt going forward, is we do review all the feedback we get in the lead up to an AGM from proxy advisors, and also other shareholders, including questions asked at the AGM. And that feedback will form a good basis of information for us to take forward when we consider a range of factors going forward, including the disclosures we include in our Remuneration Report. And one thing the Remuneration Committee will need to address going forward is the new Prudential standard on remuneration by APRA, and that is something that Nora will pick up as the incoming Chair of the Remuneration Committee.

**John McFARLANE:** I just would add something, Stephen, that the remuneration of executives at Westpac in the last 12 months was not aggressive, as you and I both know. That the long-term variable reward system is not paid out for six years. That because of AUSTRAC, rather than that being zeroed for the year in which that arose, in fact, it was at my instigation I zeroed the STVR for the Group Executives last year. And so, Peter did not receive any STVR last year, and this year's was discounted because of the reduction in core earnings, which we felt was done at the right level.

I think the protest vote is perfectly respectable, and it relates to the fall in the

share price, which related principally to analysts marking down their forecasts following the margin, and also the cost issue; although I have explained the cost issue I do not think was the same reason for them adjusting their reports.

Can I have the next question, please?

**MODERATOR:** Mr Chairman, there are no further questions from the online platform. The first telephone question is from Peter Starr. Please go ahead, Peter.

*QUESTION: [Peter Starr] Thank you, Mr McFarlane. Hi, Nora. I have known you for a long while, while you were on the Telstra Board. So we will be definitely voting for you. And I wish you all the best. And you have certainly got a job ahead of you, given the protest vote today. And it is probably rightly deserved and you know the issues, get in there and get the things fixed. Thank you.*

**John McFARLANE:** Well, thank you for your advice. Can I have the next question, please.

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

**John McFARLANE:** Well, thank you. The direct votes cast in the position of proxy votes received on Resolution 4(c) prior to the meeting will now appear on the screen. Those votes do not include those already submitted on the platform today. Any proxies revoked before the start of the meeting today are not material. So 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. And I will now formally propose the following resolution: to elect Nora Scheinkestel as a Director.

If you have not completed your voting card for this resolution, do so now. Only eligible voting card holders can vote on this item.

Item 4(d)

Item 4(d) considers the election of Audette Exel, who is seeking election as a Director. So, I will now ask Audette to address the meeting.

**Audette EXEL:** Thank you, Chairman. It is an honour to be before you, and our shareholders, today seeking election to the Board of this great company, Westpac. I joined the Board in September this year, and I would be very proud to be elected to serve on your Board for the next three years.

I have had a very lucky life and career, spanning the world of law, banking, insurance, independent directorships, and social entrepreneurship. Some highlights for me include acting as an advisor to major companies, and my role as a lawyer with Allens, and also with Linklaters, and as I currently do, as a corporate advisor in my own business, Adara Partners.

I went from advising on balance sheets to running one, and spent three years as the Managing Director of a publicly traded bank in Bermuda. That role taught me a great deal about managing teams, businesses, NIMs, balance sheets, and how complex that can be. During that time, I was also Chair of the Bermuda Stock Exchange. Then I was a poacher turned gamekeeper, and sat on the Board of the Bermuda regulator, the BMA, regulating both insurance and reinsurance companies, as well as banks. I have also been a Non-Executive Director with some great companies around the world, including most recently eight years on the Board of Suncorp.

I am most proud of my role as a social entrepreneur, having founded and built the Adara Group over the last amazingly nearly 24 years. Adara has two different parts; our Corporate Advice Businesses for Purpose, and our International Development organisation. Even though we have two different parts, we only have one single purpose, and that is providing health and education services to hundreds of thousands of people in extreme poverty, year after year, in some of the world's most remote places.

I profoundly believe that the provision of financial services to a level of excellence

is a social good, and critical to the wellbeing of so many, including shareholders, customers, staff, and communities more broadly. And of course, also of great importance to the environment.

Westpac has an incredibly important role in Australian life. As we face the mistakes of the past and we dig deep to further implement, fix, simplify and perform, I believe Westpac will stand as a Bank that everyone who is associated with it at every level will be proud of.

If I am elected today, I will do my best on the Board to steer Westpac to the next stage of its journey, and to ensure that it rewards and supports all its stakeholders at this critical time in our history. Thank you.

**John McFARLANE:** Well, thank you Audette. And can I have the first question, please?

**MODERATOR:** Mr Chairman, we have a question from Michael Friend.

*QUESTION: [Michael Friend] Surely with a huge vote against the election of Nerida Caesar by shareholders, she will reconsider her position on the Board. Will you, as Chairman, commit to Audette Exel doing the same if the vote against is of a similar nature?*

**John McFARLANE:** I am not going to answer what happens in the future and speculate. And actually, I do not want Nerida to reconsider her position on the Board. And in fact, while it has not been concluded, you have seen the proxy votes, they are primarily in favour of Nerida's election. And I think that answers the question.

Can I have the next question, please?

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

**John McFARLANE:** Well, thank you. The direct votes cast in the position of

proxy votes received on Item 4(d) prior to this meeting will now appear in the screen. These votes do not include those already submitted on the platform today, and any proxies revoked before the start of the meeting today are not material. So 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: to elect Audette Exel as a Director. If you have not completed your voting card for this resolution, please do so now. Only eligible voting card holders can vote on this item.

Now, that completes Item 4, and I will just say that of the four Directors that we have been voting here, we are very lucky to have them on the Board and they do a great job.

#### Item 5

So, turning to Item 5, which requires a special resolution to amend the Constitution. Following a review by the Board, a number of targeted amendments are recommended to accommodate regulatory developments, changing market practice, and to more closely align the Constitution to the ASX listing rules.

The Constitution was last amended in 2012. The proposed amendments to the Constitution are available on Westpac's AGM website, in the Related Documents tab under the webcast, and are summarised in the Notice of Meeting. So I now ask if there are any questions on Resolution 5 relating to the proposed amendments to Westpac's Constitution, they can be heard now. Can I have the first question, please?

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

**John McFARLANE:** Well, thank you. The direct votes cast in the position of proxies received on Item 5 prior to the meeting will now appear on the screen. They do not include those already submitted on the platform today, and 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.

So in accordance with the *Corporations Act*, as a special resolution, it will only be passed if at least 75% of the votes cast on this item are in favour of the resolution. And I will now formally propose the following resolution as a special resolution: that the Westpac Constitution be amended to adopt those changes as set out in the documents made available at [westpac.com.au/agm](http://westpac.com.au/agm). And as described in the explanatory notes to this meeting, in the Notice of Meeting, with effect to the close of the AGM, if you have not completed your voting card for this resolution via the AGM platform, please do it now. And that completes Item 5.

#### Item 6(a)

Now, the next item of business is Item 6(a). Now, as you have noticed that throughout Item 1, we have answered quite a lot of questions relating to this. This resolution also relates to proposed amendments to the Westpac Constitution, and is being requisitioned by a group of shareholders.

This resolution is required to be passed as a special resolution, and Item 6(b), which is also requisitioned by the same group of shareholders, is conditional on 6(a) passing. Under the *Corporations Act*, shareholders can propose to move a resolution at a general meeting; in this instance, Market Forces put forward this resolution with more than 100 signatories. The explanatory notes in the Notice of Meeting contains an explanation from Market Forces on why this resolution is being put forward, along with the Board's view. The resolution is not recommended by the Board. Nevertheless, we do respect the right of shareholders to make such resolutions, and we will now play a video from Market Forces on these resolutions.

*[Video Playing]*

**Jack BERTOLUS:** *I'm Jack Bertolus from Market Forces. We work with shareholders to coordinate Item 6(a) and (b), and I'll speak briefly today in favour*

*of the resolution calling on Westpac to commit to no longer finance new fossil fuel projects and to disclose targets to reduce exposure to fossil fuels, consistent with net zero greenhouse gas emissions by 2050.*

*Westpac supports the net zero by 2050 goal. Climate science and energy modelling make it abundantly clear that achieving this goal leaves no room for new fossil fuel projects, and requires rapid declines in the production and use of coal, oil and gas. Yet Westpac continues to fund new fossil fuel projects and the companies pursuing them, and continues to delay action to address this. For example, Westpac intends to wait another two years before establishing financing strategies and portfolio targets for sectors including oil and gas.*

*This resolution, therefore, presents a necessary opportunity to bring Westpac's fossil fuel lending into line with its stated support for global climate goals. Failure to bridge this gap would lead Westpac exposed to needless financial climate change transition risks, as well as reputation and legal risks, as the world moves to rapidly decarbonise. Shareholders do not want to see this company exposed to stranded fossil fuel assets, being publicly called out for funding climate wrecking companies, or being sued over inconsistencies between its statements and actions. We therefore ask shareholders to support this resolution with the long-term interests and sustainability of the company in mind, and thank those that have already cast votes in favour of the resolution. Thank you.*

*[Video ends]*

**John McFARLANE:** Well, thank you. I now ask if there are any questions in relation to Resolution 6(a), and can I have the first question, please?

**MODERATOR:** Mr Chairman, we have a question from Stephen Mayne.

**QUESTION:** *[Stephen Mayne] The Chair earlier requested that all climate related questions be deferred until we dealt with Item 6(b) today. Does he agree this was somewhat disingenuous, seeing as there will not be any debate on Item 6(b), because he knows that the proxies for Item 6(a) show that it has been*

*overwhelmingly rejected, meaning that there will not be any debate on Item 6(b), which was contingent on Item 6(a) passing.*

**John McFARLANE:** Stephen, I think you and I both know that there will be discussion on this item, and I do not think it is disingenuous. So can I have the next question, please?

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

**John McFARLANE:** Well, thank you. We certainly dealt with the issue of climate change, and I will summarise our position again. We are trying to do the right thing here, that we are very sympathetic, and in fact it will not take us two years. We are doing the work now, and hopefully we will align ourselves to the Banking Alliance, which supports net zero by 2050. And so, I believe we are doing the right thing. We cannot sign that document until we have done the work because we only have 18 months to be able to implement it.

So, aside from our position on financing fossil fuels, our disclosures are ahead of industry, and our exposures are below the industry and are reducing faster than industry, and the work we are doing is sector leading. So, I do believe we are doing the right thing here and finding the right balance. And there are direct votes cast and the position of proxy votes received on Item 6(a) prior to the meeting will now appear on the screen. These votes do not include those already submitted on the platform today, and any proxies revoked before the start of the meeting today are not material.

As the Chairman of the meeting, any proxies given to me will be voted against this resolution unless specifically directed otherwise. I will now formally propose the following Resolution 6(a) as a special resolution to consider, and if thought fit, pass the following resolution as a special resolution: insert into the Constitution in Clause 7, General Meetings, the following new sub-clause 7.3(a), advisory resolutions; "The company in a general meeting may, by ordinary

resolution, express an opinion or request information about the way in which a power of the company partially or exclusively vested in the Directors, has been or should be exercised. Such a resolution must relate to a material risk identified by the Directors of the company, and cannot advocate action that would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the Directors of the company”.

If you have not completed your voting card for this resolution, please do it now. Only eligible voting card holders can vote on this item, as the proxy voting on the proposed amendment to Westpac’s Constitution has shown an against vote of significantly more than 25%, and this will not be materially impacted by votes received by the platform today. This means that shareholders have voted against the proposed amendments to the Constitution.

As Resolution 6(a) did not pass, Resolution 6(b) will not be put to the meeting. However, we do know this is an important matter for many shareholders and we will allow discussion on Resolution 6(b). This resolution relates to Westpac’s disclosure of strategies and targets for how Westpac will manage its fossil fuel exposures.

Now, while this vote is not required, the direct votes cast and the position of the proxy votes received on Item 6(b) prior to the meeting, will now appear on the screen.

Any proxies revoked before the start of the meeting today are not material. So I will now ask if there are any questions in relationship to Resolution 6(b), and can I have the first question please?

**MODERATOR:** Mr Chairman, we have a telephone question from Tracey Hamilton, please go ahead Tracey.

*QUESTION: [Tracey Hamilton] Hi. Look, I am a long-term Westpac customer, and I have still got some issues concerning around your climate change strategy, and look, I have read your Annual Report and it talks a lot about sustainability*

*and our lending to renewable energy. Page 29 shows that exposure to fossil fuels is \$7.4 billion, which is more than double of exposure to renewable energy. Do you really expect to be taken seriously on climate change when your loan book is so heavily weighted towards fossil fuels?*

**John McFARLANE:** Thank you for the question. When you consider the size of our exposures to fossil fuels in the context of the corporation, it is well under 1%. So our book is not skewed to fossil fuels. But I will pass the question to Peter since it has come up before.

**Peter KING:** Well, I think we would just go back to the points that we have made previously in the meeting. As John said, the lending, the fossil fuel mining is down 14%. We have got the lowest exposure to coal mining, oil and gas extraction of the majors. We are exiting thermal coal by 2030 and new lending to metallurgical coal, oil and gas, mining customers must be Paris-aligned. So I think we are doing a lot, and as the Chairman said, the exposure in the context of the Bank is small, but obviously important.

**John McFARLANE:** And fossil fuels are going down and renewables are going up and exposures – the line will cross. And therefore, the second part of your question will become academic. Can I have next question, please?

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

**John McFARLANE:** Well, that completes all items of business. Before I formally close the meeting, I wanted to check if there were any further questions or comments submitted via the AGM platform or on the telephone during the meeting that we have not yet had the opportunity to consider.

**MODERATOR:** Mr Chairman, we have a question from Rita Mazalevskis in relation to Item 2.

*QUESTION: [Rita Mazalevskis] In September, KPMG were fined \$613,000.00 by*

*the US accounting watchdog after a review found widespread cheating by staff on trading tests over a four-year period. The US Public Company Accounting Oversight Board found that approximately 12%, or more than 1,000 Australian staff, had cheated on important professional compliance tests that ensure staff members are aware of various laws and accounting standards. Is the Board and Westpac aware if their auditor company PwC has any of these serious issues?*

**John McFARLANE:** Well, the one thing I would say, Rita, about this is, is that if there are material issues affecting the performance of the audit or their role as Auditor, they are required to disclose it to us. We have received no such disclosures and therefore, we are not aware of any of these material matters. Are there any other questions?

**MODERATOR:** Mr Chairman, we have a question from Daisy Gardener regarding Item 1.

*QUESTION: [Daisy Gardener] Given the International Energy Agency has concluded that we cannot develop any new or expanded fossil fuel projects if we are to limit global warming to 1.5 degrees, will Westpac rule out financing any company planning to develop gas reserves in the Beetaloo Basin?*

**John McFARLANE:** Well, again, thank you very much for the question, Daisy, which I think I have answered in about six different ways now. I realise you feel really strong about this, and I realise that you can comment on individual exposures that I cannot comment on. I just repeat the general proposition is that our exposure to fossil fuels has declined and is going to continue to decline, and our exposure to renewables is high and is increasing, and that this issue over time will be resolved.

Are there any other questions?

**MODERATOR:** Mr Chairman, we have a question from Stephen Mayne regarding Item 3.

*QUESTION: [Stephen Mayne] There was a 29.7% protest vote against the REM grant. Were shareholders also concerned about this remuneration item? And please comment further on why shareholders revolted against the REM report.*

**John McFARLANE:** Stephen, you and I have been doing this long enough that we know that what we were putting forward with respect to Executive remuneration was not aggressive, and in fact was well below are our competitors as it should have been, given the nature of the performance. We thought we struck the right balance here, but of course, there was new information that came afterwards with respect to shareholders and analysts' reaction to the performance or aspects of the performance, which we were not aware of at the time, and therefore, that has probably created what you have said is a protest vote. In that this is a way of shareholders expressing concern over matters, and one of the ways they can do that is on the voting for the remuneration and I thought shareholders have voted, they have actually voted more than 25%. We have got a first strike against it.

I mean, I am concerned about underlying performance, and I know shareholders are concerned about it, and I have discussed that with shareholders, and I have actually discussed it at some length here today. Anyway, we have ended up where we have ended up, and we have just got to do better going forward.

Are there any other questions, please?

**MODERATOR:** *Mr Chairman, we have a question from Wendy Wallace regarding Item 6(b).*

*QUESTION: [Wendy Wallace] "Just a heartfelt comment. What a trial this meeting has been, over three hours with far too much time taken up by climate activists and others all pushing their own agendas. What an arrogant, inconsiderate waste of everyone's lives. It does nothing to engender sympathy for their causes. In fact, it engenders aversion both to them and to their causes".*

**John McFARLANE:** Wendy, thank you very much for your sincere comment

here, which I will not amplify or comment on, but it is appreciated that you have taken the trouble.

Are there any other questions?

**MODERATOR:** Mr Chairman, we have a question from Stuart Palmer regarding Item 6(b).

*QUESTION: [Stuart Palmer] I am Stuart Palmer from Australian Ethical Investment. The Chair has referred to the requirement for new oil and gas clients to have Paris-aligned targets. Why are existing and new customers treated differently? For example, why doesn't the same test apply to new Bank funding or refinancing for an existing client which is expanding its oil and gas exploration and extraction? What steps is the Bank taking to be satisfied that client targets are real and not window dressing, and that clients are actually testing new capital expenditure against their targets?*

**John McFARLANE:** That is a very good point, and you are absolutely correct here that there is an issue about existing and new exposures. I would say this, though, that most of this is new to many companies in this country and elsewhere. And although the Bank is quite far advanced in this area, not all our clients are as far advanced as we are in this area, and have not really gotten to the same stage of addressing these matters as the Bank has.

Now, I know you want us to address it even further, but gradually what will happen is that we are asking our existing and our new customers to address it equally and to disclose it adequately. Equally as such, that we are then fully informed, and therefore we can satisfy ourselves as to whether this is a legitimate transitioning request or an illegitimate transitioning request, and we will be more informed as time goes on. But given that this is relatively new and that the Government has only committed to this 2050 target, I think it is unreasonable to expect that everybody is in the right position, and the same position now.

So, I think this is going to take some time, and therefore, I would ask for some

patience really by you on this.

Now are there any other questions on this or other topics?

**MODERATOR:** Mr Chairman, we have a question from David Payne regarding item 6(b).

*QUESTION: [David Payne] Will Westpac continue to provide sustaining funding for existing fossil fuel operations or projects while reducing, then potentially eliminating funding to new projects?*

**John McFARLANE:** I will not differentiate between existing and new projects. One of the problems that a bank gets technically, and I do not want to bore you here, is that if a term loan which has got a fixed amount of time finishes and we renew that, that is a new loan, it is not an existing loan. So basically, it is in the same category as new financing. Therefore, ultimately all things end up in the same place as either not a new request or a request to have a new facility which becomes a new project.

So, I do not differentiate between these because technically you cannot. What I will say, and what I have said, is we will finance respectable programs over time, which are Paris aligned and adequately disclosed. We think that is the responsible thing to do, helping customers transition to the 2030 and 2050 targets. Any there any other questions?

**MODERATOR:** Mr Chairman, we have a question from David Payne regarding Item 1.

*QUESTION: [David Payne] Is Westpac likely to continue with the current dividend payout policy?*

**John McFARLANE:** Well, we do not ever commit to dividend policy because we cannot predict the future, but we would like to, is the truth of the matter. In fact, I am a big believer in a low growth environment of a significant dividend yield, particularly fully franked dividend, because you get your returns in two ways here.

You get increases and/or reductions in the stock price, and/or through the dividend. So, I do think dividends play a different part in different parts of the cycle. And this part of the cycle. Bank earnings growth is not extraordinarily high, and therefore, I think my judgement is that dividends are playing an unusually high role, and therefore, I am quite comfortable with a good dividend yield.

I mean, I would prefer that dividend yield was, because of increases in dividends and not reductions in the stock price. So, I do think that we are doing the right thing here. We have got an account policy of dividend payout ratio range. We like to operate higher in the range if we are able to, and so, all other things being equal, I hope we will, but I cannot promise it.

Any other questions?

**MODERATOR:** Mr Chairman, we have a question from Michael Friend regarding Item 4(a),

*QUESTION: [Michael Friend] Thank you to the Chairman for your candid answers today. Very good compared to other companies. I am a shareholder and voted against Nerida Caesar today. This was not a protest vote, but a well thought out vote.*

**John McFARLANE:** Well, thank you very much. You are perfectly entitled to that vote, and thank you for making the point. Are there any other questions, please?

**MODERATOR:** Mr Chairman, we have a telephone question from Tracey Hamilton regarding Item 6(b). Please go ahead, Tracey.

*QUESTION: [Tracey Hamilton] Just trying to understand; you have got a target of \$15 billion in new lending for climate change solutions between 2020 and 2030. I understand these solutions include funding for a variety of activities, including alternative waste treatment, rehabilitation waterways and transportation, including aviation biofuels. How much will this be directed to funding renewable energy?*

**John McFARLANE:** I have made the general point about we are looking for more exposure and more relative exposure to renewables, but Peter?

**Peter KING:** I think Tracey, there is not a specific part of that \$15 billion that is targeted to that area. But what I would say on the \$15 billion is that it is probably too low. I think we will end up funding more than \$15 billion, because of the speed in which climate change is happening, and solutions are being developed. The \$15 billion was set in the past, and I just think the economy is moving faster, and therefore we will end up with more, and we will be looking to take the opportunity to support the development in that sector.

**John McFARLANE:** Any other questions, please?

**MODERATOR:** Mr Chairman, we have a question from Glenn Mann in relation to Item 6(b). Please go ahead, Glenn.

*QUESTION: [Glenn Mann] Thank you. Thank you, Mr Chairman and Peter. My question is basically a comment, that back in Nature 42 of 16 September 2003, an article entitled 'High CO<sub>2</sub> Levels in the Proterozoic Atmosphere estimated from analysis of individual microfossils' referred to carbon dioxide levels of between 10 and 200 times present atmospheric levels found in [Phreatic] algal microfossils dated at 1.5 [mega] atoms.*

*Now, unfortunately, we have been overwhelmed with many, many different reports and figures given for current greenhouse gas emissions. And my point is that there seems to be still so much evidence that the current carbon dioxide levels are not a danger. But who actually has the final say? Because whenever we get reports from the climate alarmists, they throw up in our face that the banking industry worldwide has reduced funding for whatever it be, new coal fired power stations, new gas fired power stations, as if that is a crime to be supporting those industries. And then we now have the other side of it, where those climate alarmists are demanding the changes by the financial industries.*

*So, to me, I think Westpac has done the right thing by taking a measured*

*approach, rather than immediately jumping to these total bans that some of them are now demanding.*

**John McFARLANE:** Well, look, thank you for your considered approach here. One of the issues, of course, as you point out, is facts relate to today and what we know and what we used to know, but you have not got any facts with respect to the future. You have only got estimates and opinions, and these, as you have said, are wide ranging. And therefore this, I think, is going to be an evolving situation.

Just on a personal thought though, I mean, I think we have got to have some thought to, what if we are wrong here, either way? The one way you do not want to be wrong, is that climate change is real, and we have not done anything about it, on balance. I mean, I do not know what you do with that, but that would just be, maybe just a thought to consider. But I think your point is well made, and thank you for making it.

Do we have any other questions?

**MODERATOR:** Mr Chairman, we have a question from Stuart Palmer regarding Item 6(b).

*QUESTION: [Stuart Palmer] A comment "A gradual approach to climate change misses the urgency of action needed and dismisses the extreme weather and fire impacts many Australians are suffering today. We are six years on from the Paris Agreement".*

**John McFARLANE:** Well, again, Stuart, thank you for, again, your opinion, and it is your opinion. It is not necessarily a fact. It is not necessarily agreed by everyone, and is not apparently agreed by the Governments of Australia. So, I do think we are where we are. We are trying to take a middle course of action, the middle course of action is to do the right thing with renewables and to reduce our exposure.

We are actually accelerating our reduction, so I think Westpac is in a good place here, if not perfect in your mind.

Any other questions?

**MODERATOR:** Mr Chairman, there are no further questions.

**John McFARLANE:** Well, thank you. As there are no further questions, that completes the business of the meeting. The polls will close in 15 minutes on all resolutions, at which time I will declare that the meeting will be formally closed. So if you have not completed your voting form, via the AGM platform, please do it now.

Bearing in mind the voting rules set out in the Notice of Meeting, a countdown timer will appear on the AGM platform. Once that timer expires, any votes that you have entered on your online voting card, but not yet submitted, will be automatically submitted for you.

So thank you for joining, and I look forward, hopefully, to seeing you in person next year. And I want to take this opportunity of wishing you all a very safe and happy holiday period. Thank you.

END MEETING