

Westpac Banking Corporation 2023 AGM report

ASX code	WBC
Meeting date	14 December 2023
Type of meeting	Hybrid
Monitors	Paul Donohue at live AGM, Michael Jackson and Carol Limmer online
Pre AGM-meeting	Yes, with Board Chair, John McFarlane and General Manager, Investor Relations, Justin McCarthy

Meeting Statistics

Number of holdings represented by ASA	1,063
Number of shares represented by ASA	6,013,899
Value of shares represented by ASA	\$134m
Total number attending meeting	Online 727 (Voting: 31, Visitors: 696) Physical 206 (Voting: 157, Proxy: 19, Visitor: 30)
Market capitalisation	\$76.92bn
ASA open proxies voted	on a poll. ASA voted in favour of resolutions except Resolution 6(a). As Resolution 6(a) was not passed the voting on 6 (b) was not necessary.

This meeting was held on a hybrid basis, and it was in Brisbane following last year's AGM being held in Melbourne.

During the meeting one shareholder sought assurance about not going completely online. Board Chair did say that there is a preference for 'live' but their intention is to continue with the hybrid facility.

The meeting was lengthy - the marathon went for nearly four and a half hours but was well managed by the Board Chair and CEO.

Minutes of last year's AGM and speeches by both Chair and CEO are on WBC's website. Some highlights from speeches are:

- Board Chair – mentioned that WBC has made good progress during past 4 years and are now set up for the journey beyond; have sold 10 businesses; 2023 was best year in terms of financial performance for 5 years with Profit after Tax of \$7.2bn, Income up 10%, ROE solid at 11.4%, core equity tier 1 ratio of 12.4%, increased final dividend of 72 cents and a \$1.5bn buyback; in recent years large amount of capital has been directed towards necessary risk and regulatory matters; remain committed to ongoing improvement in risk management and culture; over next 4 years will integrate their diverse systems and move

to a single origination, processing and technology platform; the concern of some shareholders about climate change was acknowledged and WBC said that they believed that their support for a just transition to a net-zero future is appropriate for their customers and the country; regretted that the last few years have taken toll on share value; supported the Chair elect (and mentioned that he has reduced his workload to focus on WBC) and other 2 Directors up for election; thanked former Directors Mike Hawker and Chris Lynch for their contribution; expressed confidence in the future of WBC.

- CEO – covered expansion in Qld including new technology hub on Gold Coast; economic environment; recognition that it has been difficult for many with some customers needing their help to manage cost of living pressures; gave message that any customer who needs support should contact WBC early; sympathetic thoughts for victims of Cyclone Jasper; spoke of financials in a bit more detail; mention that after 3 years of hard work WBC is now a simpler and stronger bank; intention to reduce size of technology stack by two thirds; how risk is now at centre of everything they do; priority to fight back against scammers; acknowledgement that access to cash is still important and that customers can now make cash transactions in any branch across their Group, have new 10 year agreement with Australia Post with access to over 3,400 sites and presence of approximately 7,000 fee free ATMs; on Sustainability WBC is reducing their own emissions and source the equivalent of 100% of Australian electricity from renewables, setting targets and pathways for the largest emitting sectors and focus on working with customers as they transition to net-zero, collaborating with regulators, govt and industry on national initiatives; their Reconciliation Action Plan (mentioned that WBC donated \$1.75m to the YES campaign as this was aligned to their Reconciliation Action Plan).
- A group of 3 Tiwi Islanders travelled to Brisbane to address the Board. One was an eloquent young woman, one a former mayor and the third was a senior elder. They each brought different perspectives to the debate but their pleas were largely the same ie that WBC lends money to Santos who are planning a \$3.6bn Barossa gas project that will lay pipelines close to Tiwi Island and, according to these representatives, impact their traditional way of life. They called on WBC CEO to talk to them about the issue on their own country, noting the CBA's CEO had visited to discuss the issue. These questions were asked at the start of the AGM but not seen against the Chair's request to refrain from climate related questions until later in the meeting as they were framed as human rights issues. The CEO spoke to the group after the AGM and agreed to a meeting on the islands. This was also reported in the AFR on the day after the AGM.
- When calling for final votes the proxies/votes to date were displayed. During the meeting there was a suggestion that these be displayed before questions are actually called for.
- The Chair and the CEO needed to address a data breach in the week before the AGM relating to staff personal information that was sent to an incorrect super fund. The Financial Services Union representative raised the issue, implying that the blame was on staff cuts and what were stated to be unsustainably high workloads.

Resolutions:

1. Financial and Directors' Reports
2. Remuneration Report
3. Grant of Equity to Managing Director and Chief Executive Officer
4. Election of Directors (a) Tim Burroughs (b) Michael Ullmer and (c) Steven Gregg.
5. Westpac Climate Change Position Statement and Action Plan

6. Resolutions Requisitioned by Shareholders (Not Supported by Board) (a) Amendment to the Constitution and (b) Transition Plan Assessments.

In relation to Item 1, the ASA asked about recent technology outage (8 hour outage which impacted access to accounts and payment processing) which was explained as a 'routine technology update' if routine why did it cause such a large outage and why did WBC not switch over to fallback platform? Answer was that it related to customer data update and fixing it required rolling back a large database change and this took time. During that time WBC took the mobile app and internet banking offline. WBC admitted the outage was too long and that a full review would be carried out. On Consumer Stress there was mention of lag between increasing interest rates and impact on economy. Despite all the monetary tightening, consumers seem to be remarkably resilient. WBC was asked for a view on how much delayed impact is yet to flow through to consumer behaviour. Whilst we do not believe the question was directly answered some interesting commentary on stress in different lending segments was given – Credit card defaults are down (which was unexpected), home loans are up (but not as high as expected) and business lending is up. WBC credit the manageable levels of loan stress to responsible lending standards and serviceability buffer used in credit assessment process. In relation to Board skills matrix it seems that only 2 directors have deep experience with technology. Given WBC's stated ambition of simplifying its complex technology landscape would it not be sensible to seek out directors with experience in this area? None of the 3 directors up for election appear to have deep technology skills. WBC answered that a balanced board was needed. With the Chair and another NED retiring there was a gap in banking skills and that was the most urgent area to address. The WBC Board recognises the weak spot in technology and will be taking steps to address this. On Risk Culture said that the Annual Report mentions a new program where positive risk behaviour can be recognised and notes this has been used 34,000 times since starting. Digging a bit deeper, the Annual Report mentions that 313 employees received increased variable reward for delivering exceptional risk outcomes. 299 received negative remuneration adjustments for falling short if risk, compliance or conduct expectations. That is close enough to 50:50 good vs bad behaviour. If culture is improving, shouldn't we be seeing many more examples of positive behaviour worthy of financial reward? The Chair of the Risk Committee did say that the Risk Framework is improving culture.

- Other shareholders asked about Cash Rate impacts, the big transition job that WBC has, costs compared to other majors, cost to income, branch closures. Board Chair and CEO did mention that it is not just Banks with the whole country moving to digital. The issue of donations to the Voice was raised – Board Chair did say that for WBC it was a Societal not Political issue. The answer to a question about whether WBC has any current plans to take over another organisation was that there were no plans at present. One shareholder complimented the company on support of Surf Lifesaving for 50 years and questioned whether there were any plans of expanding this service. WBC said they would consider any such request. Other questions related to Cyber Risk (there was quite a bit of attendee focus on that) and differences in profit since 2019. Thanks were expressed by shareholder for service for elderly parent. In relation to another question WBC explained the process for helping people in domestic violence situations. After about 2 hours the Board Chair politely asked for any further questions to be about critical issues and question time on this item concluded after 2 and a half hours.

On Item 2 – Board Chair introduced this item and how WBC is concentrating more on Equity than Cash to have a longer term focus. With Remuneration, ASA raised matter of Board discretion to make an upward adjustment to the STVR outcome for 2 Group Executives which was understood

to be related to outstanding performance in Risk Management. The question was – why was this behaviour not captured by the existing score card hurdles and what did these 2 Executives do to justify Board discretion? WBC said that the recommendation came from the Group Risk team and related to exceptional behaviour to implement risk controls, break down silos, etc. The information could come from a number of sources/range of factors. In these situations it was considered that Board discretion was warranted. Other shareholder questions related to the complexity of remuneration system and whether WBC could make it simpler. There was a view expressed about whether the Net promoter Score was a good measure ie perhaps need a system of metrics.

With Item 3 there was a question to the CEO as to whether he has sold any shares since becoming CEO – his reply was no. There was mention of no vesting of LTIs for 8 years.

In relation to **Item 4** all Directors up for election spoke well on their suitability for Board positions. There was a question on the process for recruiting new chair. There was also one on whether retiring Directors could speak but Board considered this unrelated to the Resolution.

Item 5 – As expected, this item on WBC's Climate Change Position Statement drew many questions/comments from interested parties on both sides of the Climate debate. ASA's questions were on Credible transition plans and National energy security. On the first issue (Credible transitional plan), the Climate Report says some of WBC's upstream oil and gas customers will have difficulty meeting the goal of having credible transition plan in place by 30 September 2025. Given that 2025 is not that far away, and some of WBC customers do not appear interested in transitioning, what are the funding ramifications for those who cannot comply? Our interest was in existing and new credit facilities. The CEO did not wish to get into specifics about their customers and tended to avoid stating that WBC would not provide any funding at all. WBC has existing credit agreements that would need to be honoured and banking covenants that might be violated by the failure to prepare a plan. On the second issue (National energy security), the Report states that your position on funding oil and gas customers are subject to 'national energy security' which is defined as 'circumstances where an Australian or NZ Government or regulator determines (or takes a public position) that additional supply is necessary for energy security and WBC's funding is able to support such supply'. As this seems fairly vague can you clarify if you are referring to Federal rather than State Government or would a fossil fuel friendly state government also be able to trigger this clause? What regulators might make such a determination? And what sort of scenario did you have in mind when drafting this exemption? Whilst not wishing to get into specifics the CEO pointed out that no such direction existed so the clause had not been tested. Other questions concerned Regional Australia eg zero de-forestation, oil and gas support for Woodside, consulting with others eg question from Financial Services Union on fossil fuels in the future and speed of move from fossil fuels.

Item 6 With 6(a) Market Forces representative spoke very eloquently in its support. Basically, they said that they wanted more clarity on the process under which WBC will assess the transition plans of their oil and gas customers. They also want the 3 year period that these customers have to produce a plan to be reduced. Board Chair made repeated statements during the meeting in support of gas as a transition energy source and also suggested that Australia should investigate nuclear energy as an option. WBC made it clear that they no longer lend to coal and that their oil and gas exposure is minimal. There was limited discussion under this item as many stakeholders took the opportunity to express their views when Item 5 was under discussion.

Resolutions 2 to 5 were all passed with over 90% in favour. Resolution 6 (a) had 93% against vote. There was no need to put Resolution 6 (b) to the vote.

Media Before AGM -There was a positive article in the AFR prior to AGM on Steven Gregg's appointment as new Chair.

Media After AGM -In SMH an article featured 'Westpac boss flags slower economic environment'. In the media, CEO, Peter King, was also quoted as saying 'My starting point is simple – I'd rather be in Australia than anywhere else. A slowdown in the economy without a larger reduction in the workforce appears in sight'. Another article in The Australian spoke about 'Westpac eyes Suncorp saga for merger clues'. Peter King said that 'We will learn a lot about how the regulators think about bank mergers'. During the meeting WBC had said there were no current merger plans.

The overall impression from the AGM was that whilst it was lengthy, it was probably necessary to cover a lot of issues important to a diverse stakeholder base. Some members of the audience were strongly against matters such as climate action and indigenous reconciliation but others were strongly in favour of these topics. Discussion remained civil throughout the AGM. The Chair had asked for discussion on climate to be held until later in the meeting and this was respected by both sides of the debate. WBC were clearly expecting/planning for protests as there was airport style security, physical barriers, large number of security guards and 4 armed police.

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