

**PARLIAMENTARY JOINT COMMITTEE ON TRADE AND INVESTMENT GROWTH**

**INQUIRY INTO THE PRUDENTIAL REGULATION OF INVESTMENT IN AUSTRALIA'S EXPORT INDUSTRIES**

**Westpac Banking Corporation**

**Question:**

**Hansard, 3 September 2021, page 15**

**Senator VAN:** Going to a different line of questioning—but it was kicked off by your evidence. I think it was Westpac that said that BlackRock was one of their largest investors?

**Mr Rowland:** BlackRock is our major investor in Westpac, yes.

**Senator VAN:** And they have said to you, 'You're not allowed to invest in coal or other fossil fuel projects or companies'?

**Mr Rowland:** No, my evidence was that the CEO of BlackRock, Larry Fink, wrote to Westpac's CEO, as well as a number of other CEOs, just outlining the need for companies like Westpac to have a clear industry policy and framework and to build that into their long-term strategy. There wasn't any specific prohibition on lending to particular sector.

**Senator VAN:** Would you produce that letter for the committee, please, on notice?

**Mr Rowland:** It's a public letter. Yes, we can, but it was made public.

**Answer:**

BlackRock CEO, Larry Fink's 2021 letter to CEOs is available at  
<https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>.

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#### **Question:**

**Hansard, 3 September 2021, page 16**

**Senator VAN:** Thank you. Who have I missed? Westpac. Mr Miller, have you ever received a strike against—

**Mr Miller:** Excuse me, Senator; I'll direct that question to the CFO of Westpac, Michael Rowland.

**Mr Rowland:** Westpac has received two strikes in relation to our remuneration report.

**Senator VAN:** What years were they?

**Mr Rowland:** I believe 2018 and 2019, but I would have to confirm that.

**Senator VAN:** OK. Thank you. That didn't lead to a board spill?

**Mr Rowland:** No.

**Senator VAN:** What percentage of your investors are foreign?

**Mr Rowland:** Around the 25 per cent number.

**Senator VAN:** Have you had motions put by small groups of investors at your AGMs recently?

**Mr Rowland:** Yes. We had a shareholder resolution on climate change in 2019. That was seeking Westpac to disclose our strategies and targets on fossil fuels.

**Senator VAN:** Very interesting. Thank you for that. I will put these questions to you on notice, in the interest of time. Could all the banks respond to them, please, and feel free to ask for the answers to be treated confidentially and not made public, if that suits. I will leave it there, thanks, Chair.

#### **Answer**

#### **Two strikes rule**

At both the 2018 and 2019 Westpac Annual General Meetings, 25% or more of the votes were cast against the resolution to adopt that year's Remuneration Report (each referred to as a "strike" against the Remuneration Report). This constituted "two strikes" under the Corporations Act, and, as a result, at the 2019 AGM, Westpac was required to put to shareholders a resolution to hold an extraordinary general meeting within 90 days at which all non-executive directors would be required to vacate office and may stand for re-election (known as a 'spill meeting'). To pass, this resolution required the support of 50% or more of the votes cast. The spill resolution was put at the 2019 AGM following receipt of the second "strike" and was not passed, therefore, no spill meeting was held.

### Shareholder resolutions

Resolutions requisitioned by shareholders were last put to Westpac's Annual General Meeting in 2019. The resolutions were initiated by an environmental organisation Market Forces. The resolutions were requisitioned by shareholders representing approximately 0.01% of Westpac's shares on issue

The resolutions sought to:

- a) Amend Westpac's Constitution to allow 'advisory resolutions' to be tabled at a general meeting (this was a special resolution that would pass if it received the support of at least 75% of votes cast); and
- b) Require Westpac to disclose in annual reporting strategies and targets to reduce exposure to fossil fuel assets.

Resolution (b) was an advisory resolution and was only to be put to the meeting if resolution (a) was approved by the requisite majority of shareholders. As resolution (a) was not approved, resolution (b) was not put to the meeting.

The detailed wording of the resolution is included in Westpac's 2019 Notice of Annual General Meeting<sup>1</sup>.

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<sup>1</sup> [https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/ic/2019\\_Westpac\\_Notice\\_of\\_Annual\\_General\\_Meeting.pdf](https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/ic/2019_Westpac_Notice_of_Annual_General_Meeting.pdf)

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#### Question:

Hansard, pages 19-20

**CHAIR:** Are there any further questions from committee members?

**Senator VAN:** Yes, I have one. It's for the banks to take on notice, if they would. The evidence from APRA and ASIC was very clear that their expectations as regulators is that, when it comes to managing risk, that is their No. 1 direction. The risks need to be managed. They were very clear that they're not at all looking for banks to avoid risk. Yet what we've heard today is very clearly that the banks are trying to avoid climate change risk by not participating in fossil fuel industries into the future. Can you all answer on notice for me how you can reconcile those two different positions between what you're doing and what APRA expects you to do?

#### Answer:

Westpac notes APRA Chairman Wayne Byers' evidence to the Committee on 13 August 2021 that:

*Our [APRA's] standards ... do not prescribe a financial institution's business model, product or business lines. Our standards rarely refer to specific industries or geographies. Rather, our general philosophy is that financial institutions should be free to design their own structure, products and services, provided they have the commensurate governance, risk management, internal controls and financial strength to mitigate the risks involved."*

Within that regulatory framework and the standards set by APRA (and within other legislation and regulatory standards), each bank will set its own risk appetite, across relevant risk classes, based on its strategy and commercial judgment. This determines the sectors in which it will operate and how it will assess industries, customers and transactions. Banks will often focus on particular target sectors or markets, and may not always provide banking services to all sectors.

Westpac's appetite for risk is informed by our strategic objectives and business plans, regulatory rules and ratios, and the potential for adverse outcomes that result in material impacts on our customers, our staff, our regulatory relationships and/or our financial position. This includes the potential for capital and liquidity ratios to fall below target levels in stressed scenarios.

We also consider the needs and expectations of our stakeholders, in addition to APRA and other regulatory agencies, including customers, shareholders, debt investors, governments, and the communities in which we operate.

We view climate change as a financial risk and have committed to manage our business in alignment with the Paris Agreement. Our approach to managing climate risk is set out in our Climate Change Position Statement and Action Plan and is based on a thorough assessment and understanding of the industry life-cycle of particular sectors, and the implications of climate change science.

We are transparent about our policies and sector criteria, articulating the conditions under which we will and will not provide finance to certain sectors.

In addition, we engage with customers, particularly those operating in the most emissions intensive and climate-vulnerable sectors, to develop financing strategies that can support their response to climate change impacts.