Westpac's Maxsted apologises for culture and governance failures

Summary:
"Sorry" didn't cut it at Westpac's 2019 AGM. Shareholders grilled and heckled Westpac chairman Lindsay Maxsted for more than six hours at the AGM, putting the board on notice that further accountability will be sought.

The AGM came just weeks after the financial crimes regulator Austrac launched legal action in the Federal Court against the bank, alleging 23 million breaches of anti-money laundering laws, including links to payments funding child exploitation.

A beaut report from Joyce Moullakis & Richard Gluyas.

Article Information**Category:** BRN In The Media
Banking Company: Westpac
Author: Joyce Moullakis & Richard Gluyas
Source: The Australian
Date First Published: 12 Dec 2019

Posted ByPeter Brandson
15 Dec 2019 - 3:17pm



Westpac walloped over scandals

Westpac's besieged board survived only after securing support from big industry super funds to avert the embarrassment of a spill stemming from damning legal action against it by the financial crimes regulator.

But pressure for accountability will persist after the bank copped a landmark second strike against its pay report.

The marathon six hour and often heated annual meeting — one of the longest in recent memory for an ASX-listed company — almost 36 per cent of shareholders voted against the remuneration report triggering a second strike.

A strike occurs when 25 per cent of shareholders vote against the remuneration report, and a second strike leads to a vote on whether to convene a meeting to spill the board.

There was a mammoth vote of 64.2 per cent against Westpac's pay report last year.

Investors delivered the board some breathing space on Thursday, though, with more than 91 per cent voting against a board spill, where all non-executive directors would have to put themselves up for re-election.

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Shareholders grilled and heckled Westpac chairman Lindsay Maxsted for more than six hours at the AGM, putting the board on notice that further accountability will be sought.

The AGM came just weeks after the financial crimes regulator Austrac last month launched legal action in the Federal Court against the bank, alleging 23 million breaches of anti-money laundering laws, including links to payments funding child exploitation.

The action plunged the bank into crisis, claiming the scalp of chief executive Brian Hartzer, who stood down at the start of the month, while Mr Maxsted announced an early retirement.

Non-executive Westpac director Ewen Crouch dropped his bid for re-election to the board after the legal case was lobbed.

Westpac non-executive director Peter Marriott survived a move to block his re-election to the board, with 58 per cent of shareholders voting in support of him.

A significant protest vote against Mr Marriott of 42 per cent was cast, however, as investors demanded further accountability and called out his role as chairman of the board audit committee.

Wilson Asset Management chairman Geoff Wilson said it was "quite clear from the meeting how disappointed and devastated shareholders are from the loss of value on their shares but also that this could happen".

He said investors now had to see the independent report into the Austrac scandal when it was finalised.

"People that allowed this to happen have to end up being accountable for what they did and this should put the company in a better position than it is now," Mr Wilson said.

Influential industry funds — including AustralianSuper, which holds $1.8bn of Westpac shares, and Cbus — provided backing to the Westpac board as part of efforts to provide stability for the bank's management.

The Australian Shareholders' Association's Carol Limmer, who represented about 8.5 million votes at the AGM, took aim at the Westpac board for not tackling the issue of anti-money laundering after Commonwealth Bank was hit by a $700m penalty last year.

Mr Maxsted said attention to financial crimes "was elevated" after CBA's fine but admitted Westpac didn't go far enough. "Clearly the right questions weren't asked at the right time," he responded.

Mr Maxsted said part of independent expert Promontory Financial Group's brief was to determine what happened in the Austrac matter, and identify "who said what to whom, and who didn't do what".

He also told shareholders Westpac would announce next week the composition of its advisory panel of three independent experts to consider Promontory's report and provide recommendations on governance and board accountability.

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Westpac chairman Lindsay Maxsted was grilled by investors at the AGM. Picture: Getty Images

The recommendations of the reviews will be made public.

Westpac's auditor PwC was also in the firing line at the meeting. The corporate regulator and the Australian Prudential Regulation Authority are conducting separate probes of Westpac's disclosure and executive accountability, respectively.

Mr Maxsted said no provision had been raised in the 2019 accounts because the accounting standards did not allow it.

"(The standards) do not allow what we might have thought might have been the number," he said.

At the start of the AGM, Mr Maxsted again apologised to shareholders for the bank's culture and governance failures, but said he was "very satisfied we made the appropriate disclosures given what we knew at the time".

Bank Reform Now chief Peter Brandson called the board "at best incompetent and negligent, and at worst complicit and culpable", while other shareholders demanded further accountability beyond the departure of Mr Maxsted and Mr Hartzer.

"You should go now, you should all go," one shareholder said to applause. "But before you do, you should hand back your fees.

"You have comprehensively stuffed up and so has your board. I have no faith in you. You have lost all credibility."

Other shareholders questioned whether the new board committee set up to oversee Westpac's response to the Austrac matter would receive more fees. Sources said a decision was yet to be made on that.

Commenting on questions of weakness in the bank's culture, Mr Maxsted said it would be tested through reviews now under way.

"Clearly, we have more to do. A company's culture is something that requires constant review."

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Source URL (modified on 15 Dec 2019 - 3:22pm): https://mail.reformnow.com.au/node/592

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