



Voting Intentions – ANZ Banking Group 2021 AGM

ASX Code	ANZ
Meeting Time/Date	10am, Thursday 16 December 2021
Type of Meeting	Virtual at https://web.lumiagm.com/393369083
Monitor	John Whittington assisted by Michael Muntisov and Peter Rae
Pre-AGM Meeting?	Yes, with Chair Paul O'Sullivan and GGM Investor Relations Jill Campbell

Proposed Voting Summary

2a	Election of Ms C E O'Reilly as a Director	For
2b	Re-election of Rt Hon Sir John Key as a Director	Against
3	Adoption of Remuneration Report	For
4	Grant of Performance Rights to CEO Mr S C Elliott	For
5	Member Resolution – Amendment to Constitution	Against
6	Member Resolution – Transition Planning Disclosure	Undecided

Key Financials

	2021	2020	2019	2018	2017
Statutory NPAT (\$m)	6,163	3,578	5,968	6,416	6,421
Underlying NPAT (\$m)	6,181	3,660	6,161	5,805	6,938
Statutory EPS (cents)	217.1	126.4	210.0	221.6	220.1
Dividend per Share (cents)	142	60	160	160	160
Share Price at End of FY (\$)	28.15	17.22	28.52	28.18	29.60
Statutory CEO Remuneration (\$)	5.473	5.225	5.181	5.645	5.635
Total Shareholder Return (%)	69.6	-35.9	6.9	0.6	12.9

Statutory NPAT and EPS are the audited figure from the financial accounts. Underlying NPAT is (usually) an unaudited figure used in management presentations or commentary. Total Shareholder Return is calculated as the share price change over the year plus the dividend declared during the year, divided by the share price at end of previous year. This may differ from the figure quoted by the company.

Summary of Historical ASA Issues with the Company

ANZ seems to have weathered the storm following the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry better than its main competitors. It has also seemed to avoid some of the risk management mistakes (eg AUSTRAC) of some of its competitors. We however have continued to ask questions on these matters, particularly around

getting rid of the “bad apples” and the ability to claw back financial awards to those who have damaged the bank.

Over a number of years, we have expressed concern that the company makes political donations – typically \$100,000 to each of the Liberal party and ALP. In recent years they had also implemented a policy prohibiting anyone representing ANZ going to paid political functions however unfortunately this policy is no longer, and such political payments are occurring again.

We have also called for improved clarity and understandability of the remuneration report (it was really bad a few years ago), improved disclosure regarding the tenure of the current auditor, and that the presentation of cash flows in the Annual Report. There has been significant improvement on the first point, some on the second, and none on the third.

The quantum of remuneration paid, and the structure of incentive programmes has generally been acceptable, and we have supported the remuneration report since 2015.

Review of Board on Governance, Transparency, Fairness to Retail Shareholders

Positives

- The Board has an independent Non-Executive Chair and majority of independent directors.
- The Board has at least 30% female and at least 30% male directors with diversity of geography, age, and ethnic background.
- The company comprehensively discloses ESG issues or risks facing business and the processes to manage them.
- The annual report is generally clear, balanced, and understandable and provides an example to others. It also provides an excellent five-year summary of key data relevant to shareholders.
- The company demonstrates good transparency by disclosing its (poor) net promoter scores in the annual report. We wish more companies would call it like it is rather than have a report of purely positive “spin”.
- This year, the company has ceased a long-standing policy of making significant one-off political donations each year to each of the two major parties.

Areas for Improvement

- This year the company did not post proxy forms to shareholders who are registered to receive such communications by post.
- Whilst the company has ceased its policy of making political donations each year (see above), it has recently ended a policy of not supporting political parties through participation in paid political events. This is now allowed, albeit with a budget half that of the previous level of political donations.
- One director has not invested at least one year’s worth of base cash fees in company shares within 3 to 5 years or are on track to do so.
- Two directors (one of them the Chair) have high workloads.
- A competitive tender of the company’s external auditor is overdue.
- Management of the external auditor seems to be heavily influenced by management, rather than purely by the audit committee.
- The company provides an inadequate skills matrix of the board – they only provide a table.
- The presentation of cash flow in the financial statements does not follow the preferred method of the accounting standards – the method used by all its competitors. Therefore, retail shareholders can’t compare ANZ’s cash flow with its competitors.

Summary

There are a number of medium level concerns as outlined above, where little progress being made.

Items for Voting

Item 2a	Election of Ms C E O'Reilly as a Director
ASA Vote	For

Ms O'Reilly, who has previously held senior roles in the infrastructure and financial services industries after an early career in investment banking and audit, was appointed to the board in November 2021. She is already well on her way to a suitable shareholding and is independent.

Ms O'Reilly is a director of three listed companies (BHP, Stockland, Medibank Private) and one not-for-profit (The Baker Hear & Diabetes Institute). We do not consider her workload excessive.

We believe that Ms O'Reilly is well qualified, can contribute to the board and we support her re-election.

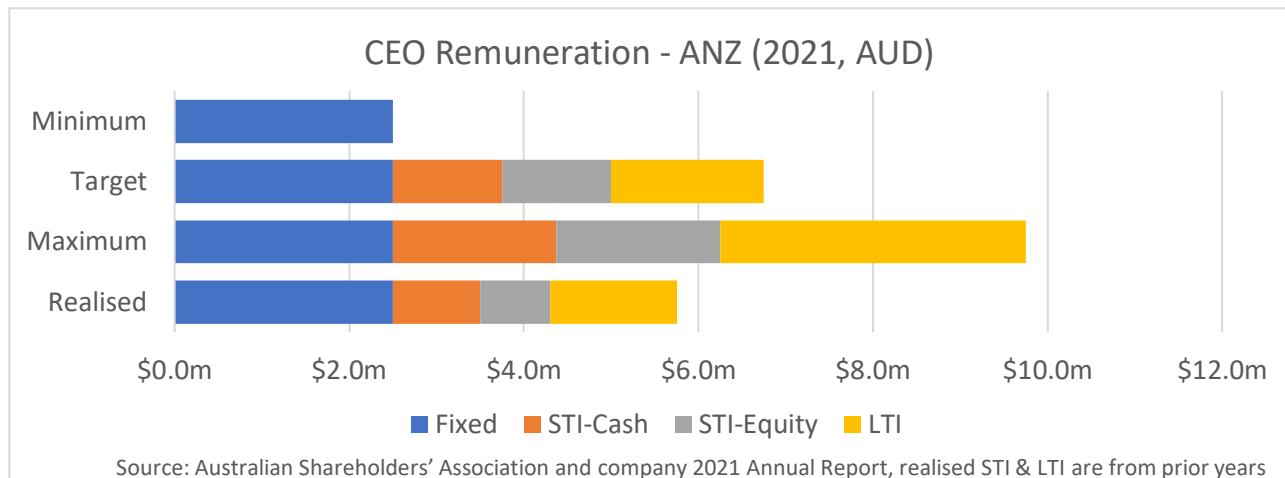
Item 2b	Re-election of Rt Hon Sir John Key as a Director
ASA Vote	Against

Sir John Key, who was previously Prime Minister of New Zealand and worked in international finance at Bankers Trust and Merrill Lynch prior to that, was appointed to the board in February 2018. After 3.5 year on the board and after a recent token purchase of 2,000 shares he still only has a shareholding equivalent to (as at 29 October) 47% of his Australian director fees and less than 21% of his total fees from ANZ which include fees for his role as Chairman of ANZ Bank NZ. We consider him independent.

Sir John has only one other directorship, Palo Alto Networks, so we do not consider his workload excessive.

Whilst we believe that Sir John is well qualified to contribute to the board, his lack of progress to what we would consider an adequate commitment to the company, or "skin in the game", means we cannot support his re-election.

Item 3	Adoption of Remuneration Report
ASA Vote	For



Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

Positives

- The Remuneration report is readable, transparent, and understandable with a logical relationship between rewards and financial performance and corporate governance.
- CEO's actual take-home remuneration, as well as the target and maximum opportunity of each component is clearly disclosed.
- The total quantum of the CEO remuneration package does not reasonably exceed the Godfrey Remuneration Group report benchmarks.
- The quantum of Board fees does not reasonably exceed the Godfrey Remuneration Group report benchmarks.
- At least 50% of CEO's pay is genuinely at risk, with short-term incentive (STIs) less than fixed remuneration.
- At least 50% of STIs is paid in equity deferred from between one to four years.
- Clear disclosure is provided for all KMP performance hurdles, and the weightings applied for each incentive.
- No retesting of performance hurdles is allowed.
- Long-term incentive (LTI) hurdles are measured a minimum of four years or more after issue.
- LTI hurdles are based on two hurdles, one of which is relative total shareholder return (TSR) and one absolute TSR.
- Comparator groups are from similar industries and include key competitors and any relevant foreign companies.
- No LTI awards based on comparator groups vest unless performance is >50th percentile.
- All share grants are allocated at face value not fair value.
- No retention payment on any awards are subject only to continuing service.
- No termination payments exceed 12 months fixed pay.

Areas for Improvement

- Only 17.5% of STIs are based on financial metrics.
- The relative TSR part of LTIs can payout if absolute TSR has been negative.

- The report indicates that the 2022 remuneration structure will be significantly changed but gives little tangible detail of the change. Shareholders are, to some degree, being asked to sign a blank check.
- CEO’s performance rights will be tested in a takeover or “change of control” events and will vest to the extent that the performance rights are satisfied.

Conclusion on Remuneration

In conclusion, we believe that the level of remuneration is not excessive, the incentives are generally aligned with shareholders, disclosure is good, and the clarity and understandability of the report itself is excellent.

Whilst we have concerns that only 17.5% of the short-term component is based on clearly quantifiable financial metrics, we must acknowledge that the banking regulator, APRA, has required banks to substantially reduce the proportion of financial metrics used. The ASA (and most institutional investors) disagrees with this use of fuzzy and easy to manipulate non-financial measures, however we must accept that banks must follow the rules set by their regulator.

We will therefore support the report.

Item 4	Grant of Performance Rights to CEO Mr S C Elliott
ASA Vote	For

This is for the issue of a maximum of 126,353 performance rights worth \$3.5m (same value as last year), based on the volume weighted average price of the five trading days up to and including 22 November. Refer to item 3 for our views on the remuneration scheme.

We believe that the level of award is not excessive and is aligned with shareholders so will support this grant.

Item 5	Member Resolution – Amendment to Constitution
ASA Vote	Against

This, together with item 6, is a non-Board endorsed resolution proposed by Market Forces to allow shareholders at an AGM to express, in a non-binding resolution, “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”.

We believe that shareholders do not need to change the company’s constitution to express their views to management and the directors. ANZ has produced a very comprehensive suite of reports including the Annual Report, a Sustainability Review, and a Climate-related Financial Disclosures document which addresses many of these issues.

Item 6	Member Resolution – Transition Planning Disclosure
ASA Vote	Undecided

This item is contingent on the passing (by 75% or higher vote) of item 5, an item which we do not support. It is another non-Board endorsed resolution, proposed by Market Forces, to make a non-

binding shareholder resolution to disclose, in annual reporting, strategies and targets to reduce exposure to fossil fuel assets in line with the climate goals of the Paris Agreement.

We believe that shareholders who have views on this item should direct their proxy vote in line with their personal views. For undirected proxies, we will await the discussion at the AGM before resolving our voting position.

Monitor Shareholding

The individual(s) (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document; it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.