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A lot riding on Suncorp Acquisition

Company/ASX Code	ANZ Banking Group Limited/ANZ
AGM and Scheme Meeting date	Thursday, 15 December 2022
Time and location	**AGM**- 10am (Adelaide Time) Adelaide Convention Centre, Hall H, North Terrace, Adelaide SA 5000 **Scheme Meeting** – later of 12.00pm (Adelaide Time) or conclusion of the AGM. Same location as AGM. Both meetings are available on-line – https://meetnow.global/ANZ2022
Registry	Computershare
Type of meeting	Hybrid
Poll or show of hands	Poll on all items
Monitor	Chris Lobb assisted by John Whittington
Pre AGM-Meeting?	Yes – Chairman, Paul O'Sullivan, Jill Campbell, GGM Investor Relations, Gerard Brown, GGM ESG and Rochelle Howard Remuneration and Governance Specialist

Monitor Shareholding: The individuals (or their associates) involved in the preparation of this voting intention have an indirect shareholding in this company.

Summary of key issues for this AGM (and Scheme Meeting)

- Financial performance for FY22 and YTD for FY23
- Benefits of Suncorp Bank Acquisition
- Election/Re-election of three non-executive directors
- ESG issues, particularly around risk and transition to net zero for customers in key industries
- Scheme Meeting – vote on the establishment of a Non-Operating Holding Company (NOHC).

These meetings are being held in Adelaide. For those shareholders who cannot attend in person, an online link is provided and shareholders/proxy holders will be able to vote and ask questions online – see link details above. Shareholders can also listen to the proceedings by telephone and ask questions by registering via the share registry.

Further information and instructions on these options can be found here =>https://www.anz.com/shareholder/centre/calendar-events/annual-general-meeting/

AGM Proposed Voting Summary

No.	Resolution description	Voting intention
2	Election and Re-Election of Board Endorsed Candidates	
(a)	To elect Mr P J Smith	For
(b)	To re-elect Ms S J Halton	Undecided
(c)	To re-elect Mr P D O'Sullivan	For
3	Adoption of the Remuneration Report	For
4	Grant of Restricted Rights and Performance Rights to Mr S C Elliott	For
5	Amendment to the Constitution (special resolution)	Against
6	Climate Risk safeguarding (conditional resolution)	Undecided

Summary of ASA Position - AGM

Item 1 - Consideration of accounts and reports - No vote required

Governance and culture

Whilst the legacy of the Royal Commission findings into banking still lingers, ANZ governance and leadership remains strong and stable. The current Chairman, Paul O'Sullivan, was appointed to the position in October 2020, having joined the Board in November 2019.

Remuneration rewards are being re-aligned to provide greater consideration to non-financial as well as financial outcomes as part of a renewed focus on the "Accountability and Consequence Framework" adopted by ANZ.

The Company, with its significant workforce of approximately 40,000 employees monitors behaviours against a Code of Conduct and reports breach numbers and actions taken within the Annual Report. Pleasingly breaches have reduced by 53% over the last 5 years.

The Bank is also seeking to improve the financial literacy of its retail customers by providing digital tools to assist them with their personal financial goals and borrowing exposures.

Financial performance including dividends

All key financial metrics were positive, with statutory net profit after tax (NPAT) up 16% to $7.119 billion. All divisions contributed to this outcome however some of this improvement can be attributed to the further net release ($232 million) of provisions following a review of Covid 19 risks.

In terms of the bank's current exposures, it undertakes multiple scenario testing and can draw on significant data generated from its operations to better understand the general economic environment. To this point, internal metrics remain positive but are being carefully monitored for any signs of deterioration.

In terms of exposures to recent natural disasters, there will be some exposure in the short term to recent floods and it is expected certain property owners will have trouble in obtaining insurance going forward.

Dividends for the year were up 3% to 146 cents per share. The total dividend payment remains consistent with its stated target ratio of between 60% to 65% of cash profits.

Common Equity Tier ratio remains stable at 12.3% and is forecast to reduce to 11.1% following the Suncorp Bank acquisition. This is line with its peers and is still comfortably above the current APRA regulatory requirement of 10.5% for an "Unquestionably Strong" benchmark.

As would be expected in a time of rising interest rates, the Net Interest Margin (NIM) has improved by approximately 10 basis points in the second half of the financial year.

Business Strategy

The bank has sought to strengthen its core business and lower its risk exposures by exiting certain businesses – margin lending, wealth and financial planning/advice. These being sold off to third parties. The final stages of remediation exposure to these businesses are being completed and upon so, ANZ will have removed the risks associated with a wealth management business.

To protect existing businesses from competitors and provide growth, a key strategic focus for ANZ is to improve its digital and mobile capability, enabling an improved connection with existing and potential customers. During the period it combined its Retail and Digital divisions as it launched its new retail banking platform in Australia, ANZ Plus. As at the end of October 2022, deposits under this digital platform had reached over $1.2 billion, with a third of those joining being new customers to ANZ. Development of this platform is on-going.

Key Events

A further significant development in terms of future growth is the acquisition (subject to Government and regulatory approvals) of Suncorp Bank, the banking division of Suncorp Group, in the second half of calendar 2023. This is a significant transaction with its predominately Queensland residential mortgage business assisting to rebalance ANZ's loan portfolio to the retail sector of the market. The ANZ is currently underrepresented in Queensland and expects the awarding of the 2032 Olympics to this State to help drive opportunities.

At an expected cost of $4.9 billion, capital funds of $3.5 billion were successfully raised by way of pro-rata renounceable rights issue, which is the preferred capital raising structure recommended by ASA, as it allows all shareholders to be treated equally. These shares were issued on a 1 for 15 basis at $18.90 per share.

Key Board and Senior Management changes

Minimal Board changes with Paula Dwyer stepping down in December 2021 as a Non-Executive Director and Christine O'Reilly and Jeff Smith being appointed to this role in November 2021 and August 2022 respectively. Long serving director, Graeme Liebelt is also retiring at this AGM.

As noted above the retail and digital operations are now under a single division, Australia Retail, headed by Maile Carnegie. A new division, Australia Commercial has been established during the year and will result in four divisions in total – Australia Retail, Australia Commercial, Institutional and New Zealand.

Sustainability and the Environment

On the longer-term transition to net zero emissions by 2050, ANZ, like all financial institutions are assessing their own and their customers plans. The suite of documents and detail contained within them, has increased considerably as the company seek to communicate their position. ANZ have identified key sectors and customers who are their largest 100 emitters. At this stage they are engaging with these customers to understand their governance, targets and disclosure, with 60% as at September 2022 having what they consider as well-advanced plans. This customer engagement will continue until the end of 2024, upon when ANZ will determine which sectors and customers have reached a level they are prepared to provide on-going support. The ANZ have announced an allocation of $100 billion to assist businesses who they believe are on track to reach net zero by 2050. Shareholders are encouraged to "watch this space" as Regulators, Governments and the community assess the appropriateness of the approach being taken by ANZ.

Summary

(As at FYE)	**2022**	**2021**	**2020**	**2019**	**2018**
Statutory NPAT ($m)	7,119	6,162	3,577	5,953	6,400
Cash NPAT ($m)	6,496	6,181	3,660	6,161	5,805
Share price ($)	22.80	28.15	17.22	28.52	28.18
Dividend (cents)	146	142	60	160	160
Simple TSR (%)	(14)	71	(37)	9	1
EPS (cents)	250	215	125	208	220
CEO total remuneration, ($m) actual	6.0	5.7	3.7	4.1	3.8

Item 2 - Election/Re-election of directors

One new director is seeking shareholder confirmation of their appointment earlier this year with two existing non-executive directors seeking re-election.

Item 2(a) relates to the election of Mr Jeff Smith who was appointed in August 2022. Jeff is a member of four Board committees - the Nomination and Board Operations Committee, Digital Business and Technology Committee, Risk Committee and Human Resources Committee.

He brings considerable experience and attributes to the role, including former executive roles at Telstra, Honeywell and Toyota. He is based in the USA and was previously a member of the ANZ International Technology and Digital Business Advisory Panel (2016-2019). Jeff was also CEO of Suncorp Business Services and its Chief Information Officer.

His workload appears manageable and will be reduced upon stepping down from his role with the World Fuel Services Corporation next month. He holds shares in the company and has three years from his appointment to increase his holding to the equivalent of one year's base director's fees under ASA policy.

ASA will be voting all undirected proxies in favour of his election.

Item 2(b) relates to the re-election of Ms Sarah (Jane) Halton who was first appointed in October 2016. She is Chair of the Digital Business and Technology Committee and is a member of three Board committees – Human Resources Committee, Ethics, Environment, Social and Governance Committee and Nomination and Board Operations Committee.

Jane has had extensive experience within various Federal Government public service departments and involvement with various health related services, including Chairman of the Coalition for Epidemic Preparedness Innovation s (Norway) and Council on the Aging Australia. Her workload appears considerable and warrants further clarification at the AGM.

Her associated roles and background provides a diversity to that of other members of the Board and therefore would bring insights valuable to the Board.

ASA recognises however that some members will be opposed to Ms Halton's re-election given she was formerly a non-executive director at Crown Resorts, acting as interim Chairman at one stage. The issues at this company have been well documented and highlighted poor governance practices.

In terms of her personal holding in the Company, it sits around the minimum holding stipulated under the ASA guidelines (and ANZ policy), dependent on the share price. After 6 years on the Board, it is very disappointing her holding remains borderline and dependent on the share price at a point of time. Again we will be seeking Jane's response at the AGM as to whether she is prepared to increase her "skin in the game" to reduce the possibility of further non-compliance with the policy.

Given these concerns, we will await receiving her responses at the AGM, before determining how we will vote undirected proxies provided to ASA.

Item 2(c) relates to the re-election of the current Chairman, Mr Paul O'Sullivan. Paul meets ASA policy in terms of his personal shareholding in the Company

He was first appointed to the Board in 2019 and was appointed Chairman in 2020. He is an ex-officio member of all Board Committees and Chair of the Ethics, Environment, Social and Governance Committee and Board Operations Committee.

Paul has executive experience in telecommunications (former CEO of Optus) and oil and gas sectors, both in Australia and overseas. He remains Chairman of Singtel Optus Pty Limited and also chairs Western Sydney Airport Corporation. His workload as Chairman of ANZ is demanding and he appears to have reduced his other roles with external corporations to ensure he has sufficient time to attend to the business of the company.

ASA will be voting all undirected proxies in favour of his re-election.

Item 3 - Adoption of the Remuneration Report

As in the past, the bank has provided a clear and insightful report on its remuneration policies, targets and outcomes as detailed within the Annual Report on pages 62 to 103.

Changes have been made this year to align with the introduction of a new prudential standard (referred to as CPS 511) by the Australian Prudential Regulation Authority (APRA). Whilst this standard does not officially come into effect until 1 January 2023, ANZ have adopted the new requirements with effect from the commencement of FY22. The key structural changes to the CEO and Disclosed Executives due to CPS 511 include:

- Restructuring Long Term Variable Remuneration (LTVR) to provide material weight to non-financial measures through the provision of a LTVR restricted rights award
- Longer deferral (up to 6 years for the CEO) with around 80% of variable remuneration deferred to ensure long-term focus
- The ability to "clawback" vested cash and equity variable remuneration where appropriate.

The opportunity was also taken to review other aspects of the remuneration structure and for example better align the components between the CEO and Disclosed Executives. Importantly as the likelihood of vesting is now higher under the non-financial LTVR restricted rights, a significant reduction has been made to the total remuneration opportunity available.

In terms of fixed remuneration, constraint was applied with only the Chief Risk Officer receiving a market review and whilst no adjustments were made to NED base fees, fees were increased for the Chairman and for the Chair/members of most Committees from 1 April 2022.

Whilst it will take some further outcomes to determine the appropriateness of the changes made, ASA commend the company for its early adoption of the standard and adjust other aspects of their remuneration structures to reflect these mandatory changes.

ASA will be voting any undirected proxies in favour of this resolution.

(We provide further detail on remuneration in the attached Appendix).

Item 4 - Grant of restricted rights and performance rights to the CEO – S Elliott

This proposed grant to the CEO is part of the CEO's 2023 variable remuneration

As noted above, LTVR awards have been varied in light of a new prudential standard being introduced by APRA. Accordingly, for this proposed grant, Mr Elliott's LTVR will be delivered as:

- 50% LTVR restricted rights – in total 73,145 rights
- 50% LTVR performance rights – in total 73,143 rights

Face value allocation for both these rights was the volume weighted average price of the bank's ordinary shares traded on the ASX on the five trading up to and including 1 October 2022 which was $23.07 or $1,687,500 in total for each of the restricted rights and performance rights.

The restricted rights are to be allocated in 3 tranches, with deferred vesting over 4, 5 and 6year periods.

As noted, due to a greater likelihood of vesting of the new restricted rights, the maximum remuneration opportunity has been reduced by 14% for the CEO and 30% for Disclosed Executives (apart from CRO -16%).

The performance rights are being split into two parts – those rights subject to a relative Total Shareholder Return (TSR) performance condition – 75% - and those rights subject to an absolute Compound Annual Growth Rate (CAGR) TSR performance condition – 25%. Again, these rights will be allocated in three tranches over a 4, 5 and 6year periods.

Members should refer to the Explanatory Memorandum attached to the Notice of Meeting should they wish to obtain further details around the conditions applying to these rights.

ASA therefore intends vote all undirected proxies in favour of this resolution.

Item 5 – Member Resolution – Amendment to Constitution

This, together with Item 6, is a non-Board endorsed resolution proposed by a group of shareholders understood to be associated with the group 'Market Forces". This group is seeking to amend the company's Constitution to allow shareholders at an AGM to express, in a non-binding ordinary 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. Such a resolution must relate to a material risk identified by the Directors or the Company…" A similar resolution was proposed at the 2021 AGM and was not carried. Directors have again recommended against this proposed amendment on the basis that shareholders already have a number of existing ways in which they can effectively engage with the Company (for example by asking or submitting questions at general meetings).

Market Forces contend that shareholder resolutions are a healthy part of corporate democracy in many jurisdictions other than Australia.

In recommending a rejection of the proposal, the company believes any such reforms to allow shareholders to propose advisory resolutions, is a matter for government and should not be done on a company-by-company basis. Addressing the matter through law reform has the benefit of ensuring that an appropriate weighing of considerations occurs, appropriate thresholds and oversight mechanisms are in place and all Australian public companies are subject to the same requirement.

ASA have similar concerns at this time regarding a piecemeal approach and will be voting undirected proxies against this resolution.

Item 6 – Member Resolution – Climate Risk Safeguarding

This resolution is advisory and is dependent on Item 5 - Amendment to the Constitution – being approved by at least 75% of the votes validly cast. If this occurs this resolution will be put to the meeting. In summary it relates to climate change and the potential financial impacts on the company. Part of the resolution being "Shareholders therefore request the company disclose in subsequent annual reporting how the company's financing will not be used for the purposes of new or expanded fossil fuel projects".

In recommending a rejection of this resolution should it be placed before the meeting, the company refers to a number of steps it is currently undertaking to address climate change and the risks it presents.

Based on the detailed reporting and disclosures provided by the company, we are satisfied that the company is working to a detailed strategy to address this critical risk. We however acknowledge that shareholders will have their personal view on these matters and they should therefore direct their proxy vote in line with their personal views. **For undirected proxies, we will await the discussion at the AGM before determining our voting position.**

Scheme Meeting Proposed Voting Summary

No.	Resolution description	Vote
1	That, pursuant and in accordance with section 411 of the *Corporations Act 2001 (Cth)*, the scheme of arrangement proposed between Australia and New Zealand Banking Group Limited and the holders of its fully paid ordinary shares as contained in and more precisely described in the Explanatory Memorandum of which notice convening this meeting forms part, is approved (with or without modification as approved by the Federal Court of Australia).	ASA recommends you lodge a directed proxy in relation to this resolution but intends to vote open proxies in favour.

Summary of ASA Position - Scheme meeting

As financial services expand and traditional providers are facing competition from "disrupters", banks generally are seeking to respond by extending their investments or relationships to include non-core services (e.g., point of sale equipment/software) principally to meet customer expectations. Individual banks can also gain competitive advantages both for potential growth opportunities and as a defensive mechanism against losing customers from their existing operations.

ANZ is seeking to establish a Non-Operating Holding Company ("NOHC") to better structure the holding of these business interests which they currently hold. This is partly to disengage the regulatory/capital requirements that currently apply to a bank in Australia for these other businesses and to also allow it to compete on a more equal footing against competitors who may not have the same prudential requirements as a bank.

The CEO in a recent presentation to ASA members noted that these businesses within ANZ consist of a very small proportion of the bank's overall business (less than 1%) and that APRA will still retain oversight and approval conditions should the bank wish to expand its investment in such non-core businesses.

He confirmed from a shareholder perspective, all current data relating to their current holding in ANZ will be transferred to the new holding company and for all but a very small number, no taxation implications will apply. (For any shareholders who may have unusual investment structures, they should consult with their adviser).

He noted that such structures are not new and examples can be found both internationally and within Australia (e.g., Macquarie Group Limited).

To achieve this new structure, shareholder approval is being sought via a Scheme Meeting which will require:

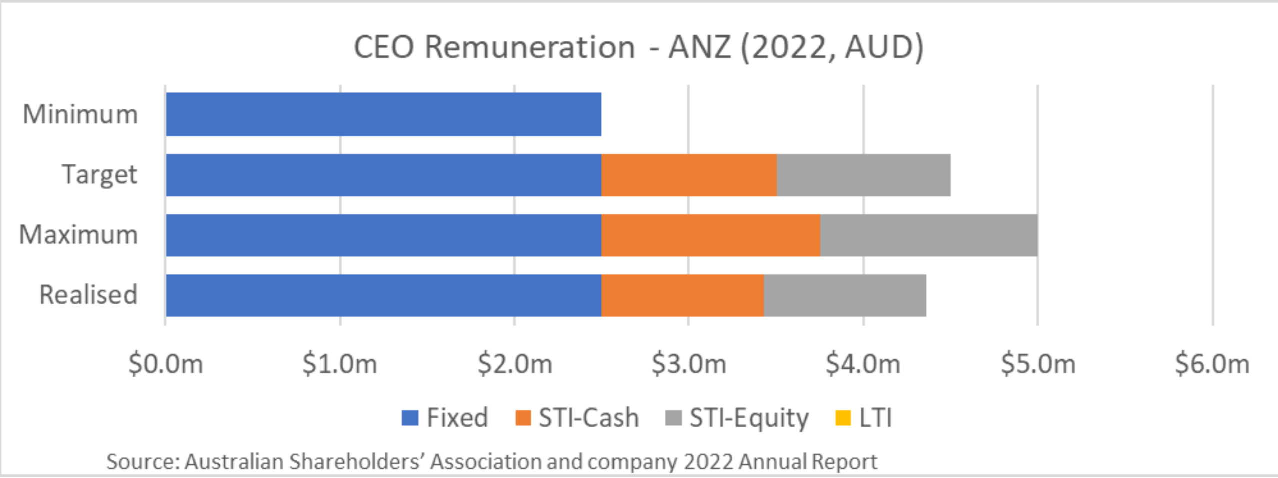
- 75% of the votes cast to be in favour of the resolution; and
- more than 50% in number of shareholders voting in favour of the resolution (in person or by proxy).

ASA recommends that you read the Explanatory Memorandum including Appendix one, the independent expert report, and lodge a directed proxy that reflects your individual circumstances. **Note ASA intends to vote any undirected proxies in favour of the resolution in support of the Board recommendation**

Mr Elliot noted that in the event that the resolution is not passed it will not have a material impact on the bank's operations but it will make it more difficult for ANZ to compete effectively against competitors who are not restricted in the same way as ANZ are currently.

Appendix 1
CEO Remuneration framework transition from FY22 to FY23

CEO rem. Framework for FY22 and FY23	Actual FY22 $m	% of Total	Max. Opportunity FY23$m	% of Total
Fixed Remuneration	2,500	58%	2,500	30%
STVR – Cash (Yr 1 50% of total STVR)	930	21%	1,250	15%
STVR – Deferred Equity (Yr2 25% and Yr3 25%)	930	21%	1,250	15%
LTVR (Yrs 4 to 6) –	N/A	%	3.375	40%
Total	4,360	100%	8,375	100%



Notes

1. STVR 2022– the Board assessed this at 74% of the CEO's maximum opportunity. This was based on a reduced maximum opportunity from 2021 of 150% of target STVR to 125% in 2022.
2. LTVR-2022 – there was no 2022 LTVR award made as the bank transitions from making these awards at the end of the year to the start of the year from FY23.
3. LTVR – 2023 The CEO's proposed maximum opportunity will be $3.375 million (2021 $3.5 m) in Restricted Rights and Performance Rights which will be subject to shareholder approval at the 2022 AGM. This reduction in dollar value reflects a reduction in maximum opportunity from 140% to 135% due to an expected higher percentage of Restrictive Rights vesting.
4. Actual pay received in FY22 was $6.0 million, after including deferred variable remuneration that vested during the year
5. Deferred variable remuneration which lapsed during the FY22 was $1.48 million.