Paul O'Sullivan | Chairman

2 December 2024

**Re: ANZ Group Holdings Limited Response to the Glass Lewis Proxy Research Report Annual General Meeting 2024**

Dear Shareholder,

ANZ Group Holdings Limited (**ANZ**) notes that Glass Lewis (**GL**) in its proxy research report regarding ANZ's 2024 Annual General Meeting (**AGM**) has recommended that shareholders vote against the adoption of the Remuneration Report (**Resolution 3**) and the grant of restricted rights and performance rights to ANZ's Chief Executive Officer (**CEO**) and Executive Director, Mr Shayne Elliott (**Resolution 4**).

We recognise that shareholders will consider a range of matters and inputs when making final voting decisions. In line with that, we wish to provide clarification on the matters where Glass Lewis has raised key concerns, namely the FY24 remuneration consequences for executives related to the ANZ Institutional Division's Markets Business (**the Markets Matters**) and Non-Financial Risk (**NFR**).

We are of the view that supporting Resolutions 3 and 4 is appropriate and in shareholders' best interests.

## OVERVIEW REMUNERATION GOVERNANCE FY24

The ANZ Board believes it has taken appropriate action to ensure executive accountability, in line with our approach to align risk and remuneration. The Board took account of Australian Prudential Standard CPS511 which requires deferral of significant amounts of CEO and Senior Executive remuneration.

CPS511 requires CEO variable remuneration deferral over four, five and six years with Disclosed Executives over four to five years which enables accountability to be enforced for new findings which subsequently become available.

To that end, the Board put in place additional governance to ensure it was well placed to determine accountability/consequence on issues associated with the Markets Matters and ANZ's NFR framework, including the additional $250m capital overlay issued by the Australian Prudential Regulatory Authority (**APRA**). We note:

- A key objective of APRA Standard CPS511 is to ensure remuneration outcomes are commensurate with performance and risk outcomes.

- The outcome can only be arrived at based on the facts/evidence which are known at the time of decision making.

In considering the allegations (which were reported in The Australian Financial Review and subsequently by other media), the Board established three streams of review:

1. Allegations that there were inaccuracies in data reported to the AOFM in regard to secondary bond trading;

2. Allegations of poor behaviour and misconduct by individuals in the Sydney Markets Trading room; and

3. Allegations of market manipulation by ANZ traders during an April 2023 AOFM Bond issuance.

**MATTERS AND APPLICATIONS OF CONSEQUENCE**

In reviewing the matters, to ensure application of fair and appropriate consequences based on clear evidence, the Board with the assistance of external counsel:

- Engaged external parties to assist with investigations into each of the matters, several of which are ongoing
- Deliberated on remuneration outcomes for the CEO and Disclosed Executives, considering accountability reviews and collective responsibility for the Bank's performance and finally,
- Sought independent advice regarding the end remuneration outcomes.

The findings from these reviews (to date) are detailed below:

Inaccuracies in Data Reporting

The Board's review confirmed that ANZ identified errors in the secondary bond trading data reported to the AOFM, and these errors had been self-reported to the AOFM prior to any media coverage. The CEO has publicly apologised for the errors in this reporting.

The Board considers these events unacceptable and adjusted Executive remuneration to reflect these findings.

Poor Behaviour within Sydney Markets Trading Room

The Board's review confirmed instances of poor behaviour and breaches of ANZ's code of conduct by several individuals in the Sydney Markets Trading Room.

Individual accountabilities were enforced, resulting in a range of consequences including termination, and the Board has adjusted Executive Remuneration to reflect these events.

The Board is currently conducting a broader review of culture and behaviours across ANZ's domestic and international trading rooms to ensure these issues are not reflective of the wider Markets culture. The Board consulted with APRA on the terms of reference for the review and will share the findings with APRA.

Conduct of the April 2023 Bond Issue

ANZ's own analysis has, to date, not identified any evidence of market manipulation regarding ANZ's role as duration manager on an April 2023 AOFM Bond issuance. Consequently, the Board has not adjusted Executive Remuneration for this reason.

ASIC's own investigation is ongoing, and it has commented publicly that its view will be indicated within the next calendar year, at which time ANZ will be better placed to determine whether further consequences may be required.

Remuneration Outcomes

Whilst performance against the Group Scorecard, including financial outcomes and progress relative to key strategic goals, was largely on target, the Board moved to take action to apply downward adjustment on remuneration outcomes given the matters arising.

- The Board reduced the Group scorecard by 10%, which affected the size of the bonus pool for all ANZ Group staff eligible for variable remuneration to reflect the APRA imposed NFR overlay.

- There were further reductions taken in relation to both the FY24 Short Term Variable Remuneration (**STVR**) and the FY25 Long Term Variable Remuneration (**LTVR**) equity award, where the pre-grant assessment was also reduced.

- As a result, the FY 2024 STVR outcome for the CEO was assessed at 65% of Target, 52% of maximum. This is a $1.1 million or 46% reduction relative to FY 2023 (per table on page 65 of the 2024 Annual Report)

- While all members of the Executive Committee were impacted in some way, more significant adjustments were made to the remuneration outcomes of those executives that the Board considered had ultimate responsibility for the matters. The STVR outcomes can be seen on page 66 of the Remuneration Report.

- Further, under the conditions of Equity Grants, the Board retains a broad range of powers in relation to future equity vesting and can also act to exercise malus or claw back powers if appropriate.

In the event any findings of accountability come to light, the Board has ensured that substantial equity awards remain on foot for the Key Management Personnel to enable downward adjustment, if required.

Any further adjustment would be proportionate to the severity of the risk outcome in line with CPS 511. In relation to the CEO, CRO and Group Executive Institutional, equity remaining on foot currently totals $31.6 million (CEO $15.7 million, CRO $6.0 million and Group Exec Institutional $9.9 million).

**Conclusion**

For the reasons set out above, we strongly encourage shareholders to vote in favour of Resolutions 3 and 4. The Board believes that the remuneration outcomes, particularly for the relevant accountable executives, are appropriate, proportionate and fair.

The ANZ Board will ensure that management continues to improve our risk processes and outcomes and that we consider remuneration in a rigorous and transparent manner. It remains our priority to ensure the business delivers sustainable returns for our shareholders and positions ANZ well for the future.

**Any Further Questions**

Should you have any further questions in relation to this resolution, or any others being put to the 2024 AGM, please do not hesitate to contact Jill Campbell, Group General Manager, Investor Relations, at jill.campbell@anz.com.

Yours sincerely

Paul O'Sullivan
**Chairman**

Holly Kramer
**Chair – People & Culture Committee**