

Australia and New Zealand Banking Group Limited London Branch remuneration practices and governance

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Australia and New Zealand Banking Group Limited (**ANZ**) London Branch has set out below how its remuneration policy and practices comply with the PRA's Remuneration Principles set out in the Remuneration Code (**Code**) for Dual Regulated Firms. Further details are provided in ANZ's APS330 Remuneration Disclosure and Annual Report):
<https://www.anz.com/shareholder/centre/reporting/>

Remuneration Principles	How ANZ London Branch comply
1. Risk management and risk tolerance	<p>The Australia and New Zealand Banking Group Limited Remuneration Policy (ANZBGL Remuneration Policy) ensures the design, monitoring, measurement and determination of remuneration outcomes occur with consideration against the risk management framework.</p> <p>ANZ's variable remuneration is designed to take into account the following:</p> <ul style="list-style-type: none"> • The outcomes of business activities; • The risks related to the business activities taking into account, where relevant, the cost of the associated capital; • The time necessary for the outcomes of those business activities to be reliably measured; • Behaviours which demonstrate ANZ's Values and the delivery of outcomes that are fair and ethical and in the best interests of our customers and aligned with ANZ's purpose and Code of Conduct; and • Applicable legal and regulatory (including prudential) requirements. <p>The design and operation of all variable remuneration plans are required to adhere to a set of policy principles and governance standards, and align to the risk framework. All significant variable remuneration plans are approved by the Finance, Risk, and Talent and Culture functions, and ANZBGL Board (Board).</p>
2. Supporting business strategy, objectives, values and long-term interests of the firm	<p>ANZ's Reward Principles contained within ANZBGL's Remuneration Policy, which is a global policy and is reviewed annually, support the achievement of ANZ's purpose and strategy through programs that:</p> <ul style="list-style-type: none"> • Attract, motivate and keep great people; • Reward our people for doing the right thing having regard to our customers and shareholders; • Focus on how things are achieved (values, culture and risk) as much as what is achieved (performance); • Are fair and simple to understand. <p>The Board agree the Group Performance Framework at the start of each plan year, which is focused on delivering against a balanced set of multi-year objectives aligned with our strategy covering Customer, People and Culture, Financial and Discipline, and Risk and Reputation.</p>
3. Avoiding conflicts of interest	<p>The ANZBGL Human Resource Committee (HRC) is responsible for working with the Board, UK Remuneration Committee (UK RemCo)</p>

	<p>and management to minimise the risks associated with determining, managing and communicating executive and employee remuneration.</p> <p>ANZ continually reviews its remuneration processes to manage any conflict of interest. No individual employee will be permitted to be present when his/her individual remuneration is being discussed.</p> <p>The HRC also seeks independent external advice, as appropriate, on non-executive director remuneration to mitigate any potential conflict of interest.</p> <p>The UK RemCo members are independent Non-Executive Directors. Their fees are determined by the HRC.</p>
4. Remuneration Principle Governance	<p>The Board has responsibility for approving the ANZBGL Remuneration Policy.</p> <p>In relation to the operation of the ANZBGL Remuneration Policy, the Board has delegated the powers to the HRC.</p> <p>The HRC is responsible for reviewing and making recommendations on the ANZBGL Remuneration Policy at least every three years to ensure it remains appropriate for its intended purpose. Regular health checks of the ANZBGL Remuneration Policy are conducted on an annual basis.</p> <p>The HRC assists the Board in relation to remuneration matters and senior executive succession (including the CEO) and is comprised solely of independent Non-Executive Directors.</p> <p>The UK RemCo has been delegated authority by the HRC in respect of the functions and powers set out in the UK RemCo Charter for ANZ London Branch, including the annual review of the UK Addendum contained within the ANZBGL Remuneration Policy.</p>
5. Control functions	<p>The structure of remuneration arrangements for Risk and Financial control personnel, including variable remuneration plans, must not compromise their independence in carrying out their functions.</p> <p>To ensure independence, the Board has conferred that performance assessment and remuneration outcomes for all Risk and Financial control personnel globally are determined independently from the business which they support, unless otherwise required by local regulatory requirements, while at all times respecting the independence of these functions.</p> <p>Remuneration of control functions are benchmarked with the market and internally.</p>
6. Remuneration and capital	<p>ANZ's variable remuneration is designed to take into account a number of factors including:</p> <ul style="list-style-type: none"> • The outcomes of business activities; • The risks related to the business activities taking into account, where relevant, the cost of the associated capital; • The time necessary for the outcomes of those business activities to be reliably measured; • Economic profit performance; and • Affordability (including consideration of the mix of cash to equity).

	<p>Any and all deferred remuneration awarded or granted to an employee is subject to the on-going and absolute discretion of ANZ to adjust deferred remuneration downward. An example of when ANZ may exercise this discretion is when it is necessary or appropriate to protect the financial soundness of ANZ.</p>
7. Exceptional government intervention	<p>In the event of an exceptional Government intervention, the expectation would be to apply this principle, by reviewing remuneration structure of senior executives.</p>
8. Profit-based measurement and risk adjustment	<p>Under ANZ's main variable remuneration plan, the ANZ Incentive Plan (ANZIP), the Board agree the Group Performance Framework (using a balance of Customer, People and Culture, Financial and Discipline, and Risk and Reputation objectives) at the start of each plan year. This performance will be monitored throughout the year with an overall assessment at the end of each year using a range of objective and subjective considerations. The Risk assessment impacts the overall assessment of the Group's performance (i.e. a multiplier effect).</p> <p>In addition to the Group performance assessment, the Board takes into consideration a range of factors when determining the size of the ANZIP pool. The Board exercise their judgement to determine the appropriate pool size – it is not a formulaic outcome. These include:</p> <ul style="list-style-type: none"> • Our financial performance – a range of metrics are used including cash profit, economic profit and return on risk weighted assets. Economic profit, which is a risk adjusted measure and a strong indicator of shareholder value, is the primary financial driver but is balanced against other financial metrics and qualitative factors. • Other relevant factors such as the overall operating environment, market competitive remuneration positioning, affordability, the quality of our results and prior year pools. • Bottom-up factors (e.g. the sum of individual variable remuneration targets). <p>Once the ANZIP pool is determined and approved by the Board, the ANZIP pool is then allocated across each Division/Function to ensure that pools and senior leader budgets are reflective of business performance.</p> <p>For employees of the ANZ London Branch, the UK RemCo review the total amount of variable remuneration allocated. During the review, the Chief Risk Officer UK will provide an update and ensure any UK risk adjustments have been made appropriately. The UK RemCo have the ability to recommend adjustments to the variable remuneration allocated.</p>
9. Pension policy	<p>The UK Pension policy is in line with market and no discretionary pension benefits are provided.</p>
10. Personal investment strategies	<p>Personal hedging prohibition is documented in the ANZ Remuneration Policy.</p> <p>As specified in the Trading in ANZ Securities Policy, equity allocated under ANZ Group employee equity plans must remain at risk until fully vested or exercisable. As such, it is a condition of grant that no</p>

	<p>scheme is entered into, by an individual or their associated persons, that specifically protects the unvested value of shares, options and rights allocated. Doing so would constitute a breach of the grant conditions and would result in the forfeiture of the relevant shares, options or rights.</p> <p>On an annual basis, UK Material Risk Taker's (MRT's) provide signed attestations that they have not undertaken any personal hedging strategies to undermine the risk alignment effects of their variable remuneration.</p>
<p>11. Non-compliance with the dual-regulated firms Remuneration Code</p>	<p>Robust governance structures, policies, processes and approvals are in place to ensure that variable remuneration is compliant with local and global regulatory requirements including Australian, EU and UK requirements.</p> <p>ANZ does not currently pay variable remuneration through any vehicle other than cash and equity and would always ensure that any change being considered is compliant with the applicable regulatory requirements and goes through the required approval process.</p>
<p>12. Remuneration structures</p>	<p>The remuneration structure for all employees is documented thoroughly in the ANZBGL Remuneration Policy. The UK Addendum, included in the ANZBGL Remuneration Policy, ensures ANZ London Branch complies with the Code.</p> <p>The UK RemCo ensures the UK business adopt the ANZBGL Remuneration Policy (including the UK addendum), and oversees its implementation.</p> <p>The variable pay of UK MRTs are structured in line with those set out by the Code:</p> <ul style="list-style-type: none"> • Variable pay is capped at 100% of total fixed pay. • At least 50% of annual incentive is delivered in Equity instruments and subject to a retention period of 12 months. • 40% of total variable pay is deferred for 3, 5 or 7 years. If the UK MRT is classified as a high earner, then 60% of total variable pay is deferred. • All awards are subject to malus and clawback provisions in accordance with the Code. <p>For new hires:</p> <ul style="list-style-type: none"> • Buy-outs may be offered but the terms will not be more favourable than the terms attached to the awards forfeited with the previous employer. • Guaranteed bonuses will only be paid on an exceptional basis and limited to 1 year.

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