

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

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Australia and New Zealand Banking Group Limited (**ANZBGL**) 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 with respect to remuneration policy and practices as they applied in the 2022 financial year are provided in ANZ's APS 330 Remuneration Disclosure and Annual Report: <https://www.anz.com/shareholder/centre/reporting/>

Remuneration Principles	How ANZ London Branch comply
<p>1. Risk management and risk tolerance</p>	<p>The ANZ Group Performance and Remuneration (P&R) Policy and ANZBGL P&R Policy together ensure the design, monitoring, measurement and determination of remuneration outcomes occur with consideration against the risk management framework (of which the P&R policies form a part).</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; • ANZ's behaviours and 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 the ANZ Group and ANZBGL Boards (the Boards). UK Remuneration Committee (UK RemCo) will also be required to review and approve any material changes to variable remuneration plans which may impact ANZBGL London Branch employees.</p> <p>ANZ's Accountability and Consequence Management Framework forms part of ANZ's Performance and Remuneration Framework (P&R Framework) and provides guidelines for dealing with non-compliance with ANZ Code of Conduct, performance and/or behavioural expectations, as well as guidelines for reviewing and applying consequences for relevant risk and compliance events, and audit issues.</p> <p>The Enterprise Accountability Group (EAG) is the governance mechanism for the Accountability and Consequence Management Framework and operates under delegated authority of the ANZ Group Board via the ANZ Group Human Resources Committee (HRC).</p> <p>The EAG meet several times a year and agree consequence guidelines for poor performance, unacceptable behaviour and for 'Relevant Events' – significant risk or audit events that occur</p>

	<p>throughout the year. When a 'Relevant Event' occurs, the EAG also reviews recommendations from Divisions or Functions and determines whether it is appropriate for consequences to apply.</p>
<p>2. Supporting business strategy, objectives, values and long-term interests of the firm</p>	<p>The ANZ Group P&R Policy outlines the P&R Framework that applies to ANZ Group and the entities within its group structure, including ANZBGL and its subsidiaries. The ANZ Group P&R Policy and the ANZBGL P&R Policy are global policies and are reviewed regularly.</p> <p>To achieve alignment with the Group's business plan, strategic objectives and risk management framework, the P&R Framework is guided by ANZ's Reward Principles which are contained within the ANZ Group P&R Policy.</p> <p>ANZ's Reward Principles support the achievement of ANZ's purpose and strategy by:</p> <ul style="list-style-type: none"> • attracting, motivating and keeping great people; • rewarding our people for doing the right thing having regard to our customers and shareholders; • focusing on how things are achieved (our behaviours (supported by our Values and Code of Conduct), culture and risk) as much as what is achieved (outcomes against objectives); • being fair and simple to understand; and • in relation to Third Party Service Providers (TPSPs), identifying and mitigating material conflicts to the objectives of the P&R Framework that may result from the remuneration arrangements with TPSPs. <p>The Boards agree the Group Performance Framework at the start of each plan year. The key objective of ANZ's Group Performance Framework is to enable aligned focus across the organisation delivering the critical outcomes that matter most in delivering on ANZ's strategy. It plays a key role to message internally what matters most, reinforce the importance of sound management in addition to risk, customer, people and financial outcomes, and inform focus of effort, prioritisation and decision-making across ANZ.</p>
<p>3. Avoiding conflicts of interest</p>	<p>The ANZ Group HRC is responsible for working with the Boards, UK RemCo 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 is permitted to be present when their 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 Members. Their fees are determined by the HRC.</p>
<p>4. Governance</p>	<p>The ANZ Group Board has responsibility for approving the ANZ Group P&R Policy and ANZBGL P&R Policy. The ANZBGL Board has</p>

	<p>responsibility for approving adoption of the ANZ Group P&R Policy and approving the ANZBGL P&R Policy.</p> <p>In relation to the operation of the ANZ Group P&R Policy and the ANZBGL P&R Policy, the Boards have delegated their powers to the HRC.</p> <p>The HRC is responsible for ensuring that the following reviews of the P&R Framework are conducted in line with applicable requirements, reviewing the findings and making recommendations on changes to the Boards:</p> <ul style="list-style-type: none"> • Compliance review – conducted annually; and • Effectiveness review – conducted at least every three years. <p>The HRC assists the Boards 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 ANZBGL London Branch, including the annual review of the UK component of the France, Germany and UK Addendum contained within the ANZBGL P&R Policy,</p>
<p>5. Control functions</p>	<p>At ANZ, the control functions are deemed independent from the business they oversee and remuneration is set independently. The structure of remuneration arrangements for Risk and Financial control personnel, including variable remuneration plans, is such that it does not compromise their independence in carrying out their functions.</p> <p>In addition, control functions have oversight and input into Performance and Remuneration policies as well as individual remuneration outcomes.</p> <p>To ensure independence, the Boards have 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, and in the UK the individual remuneration outcomes of the individuals who lead the function are approved by UK RemCo.</p> <p>With respect to oversight of individual remuneration outcomes, steps are put in place in the UK, at divisional and Group level to ensure control functions have input into the determination of variable remuneration outcomes, including consideration of any risk adjustments.</p>
<p>6. Remuneration and capital</p>	<p>The ANZBGL P&R Policy ensures the design, monitoring, measurement and determination of remuneration outcomes occur with consideration against the risk management framework. Risk appetite is set using both qualitative and quantitative measures across the major risk classes including liquidity, market, capital</p>

	<p>adequacy, credit and non financial risk to ensure business objectives and performance are measured and monitored on a risk-adjusted basis and within appetite.</p> <p>ANZ's Group Performance Framework and remuneration arrangements are aligned to promote sustainable, profitable business that supports the ongoing soundness of the capital base. This is achieved in part by use of a balanced scorecard in determining the size of the variable remuneration pool, and also by the Board having the full and final discretion on the final variable remuneration pool size (e.g. to reduce / eliminate variable remuneration payments, if required).</p> <p>Under ANZ's variable remuneration plan, the ANZ Incentive Plan (ANZIP), the Boards agree the Group Performance Framework (using a balance of Risk, Customer, People & Culture, and Financial Discipline & Operational Resilience key elements) at the start of each year. This performance is monitored throughout the year. At the end of each financial year the Boards exercise their judgement to determine a fair and reasonable ANZIP variable remuneration pool.</p> <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>When determining variable remuneration outcomes, a range of financial indicators are considered. See <i>Part 8</i> for further detail on factors considered in the Boards' assessment.</p> <p>The mix of forms of remuneration (such as fixed and variable components and cash and equity-related benefits) and timing of when an individual becomes eligible to receive payment are considered as part of the design methodology.</p> <p>The Boards can exercise discretion to apply a number of downward adjustment options (including clawback for UK Material Risk Takers (UK MRTs)) as part of consequence management (in accordance with applicable law and any terms and conditions provided).</p>
<p>7. Exceptional government intervention</p>	<p>In the event of an exceptional Government intervention, the expectation would be to apply this principle, by reviewing the remuneration structure of senior executives.</p>
<p>8. Profit-based measurement and risk adjustment</p>	<p>Risk forms an integral part of the Boards' Group Performance Framework assessment, impacting the overall Group Performance Framework outcome.</p> <p>In their assessment the Boards consider a range of factors including:</p> <ul style="list-style-type: none"> • the Group Performance Framework assessment.

	<ul style="list-style-type: none"> • the quality of earnings and operating environment. • the shareholder experience (e.g., shareholder returns and dividend comparison with prior periods). • ANZ’s Reward Principles (e.g., attract, motivate and keep great people). <p>Once the ANZIP variable remuneration pool is determined and approved by the Boards, the ANZIP pool is then allocated across each Division/Function to ensure that pools and senior leader budgets are reflective of business performance. For employees of the ANZBGL London Branch, the UK RemCo review the total amount of variable remuneration allocated. During the review, the Chief Risk Officer Europe and America 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> <p>Where required, the Boards may choose to exercise the following options or a combination of these at any time, but will always consider their use if any of the circumstances specified by Prudential Standard <i>CPS 511 Remuneration</i> occur. The downward adjustment options specified in #1 to #3 below are applicable to all employees, while clawback (#4) in 2023 is currently limited to select employees (UK MRTs):</p> <p>1. In year adjustment, the most common type of downward adjustment, which reduces the amount of variable remuneration an employee may have otherwise been awarded for that year.</p> <p>2. Further deferral/freezing delays the decision to pay/allocate variable remuneration, or further defers the vesting of deferred remuneration or freezes vested/unexercised shares and rights. This would typically only be considered where an investigation is pending/underway.</p> <p>3. Malus is an adjustment to reduce the value of all or part of deferred remuneration before it has vested. Malus is used in cases of more serious performance or behaviour issues. Any and all variable remuneration awarded or granted to an employee is subject to ANZ’s on-going and absolute discretion to apply malus and adjust variable remuneration downward (including to zero) at any time before the relevant variable remuneration vests.</p> <p>4. Clawback is the recovery of variable remuneration that has already vested or been paid. This would typically only be considered if the other types of downward adjustment/other consequences are considered inadequate given the severity of the situation.</p> <p>Before any scheduled vesting of deferred remuneration, the Boards (for <i>CPS 511</i> specified roles) and/or the EAG (for other employees) considers whether any further deferral, malus, or clawback should be applied. This will be in consultation with UK RemCo for UK employees.</p>
9. Pension policy	The UK Pension policy is in line with market and no discretionary pension benefits are provided.
10. Personal investment strategies	Personal hedging prohibition is documented in the ANZBGL P&R Policy.

	<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 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 MRTs 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>ANZBGL London Branch does not currently award variable remuneration through any vehicle other than cash and share rights 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 P&R Policy. The France, Germany and UK Addendum, included in the ANZBGL P&R Policy, ensures ANZ London Branch complies with the Code.</p> <p>The UK RemCo ensures the UK business adopt the ANZBGL P&R Policy (including the UK components to the France, Germany and UK Addendum), and oversees its implementation.</p> <p>The variable remuneration of UK MRTs are structured in line with those set out by the Code:</p> <ul style="list-style-type: none"> • Variable remuneration is capped at 100% of total fixed remuneration. • At least 50% of annual variable remuneration is delivered in Share rights and subject to a retention period of 12 months. • 40% of total variable remuneration is deferred for 4, 5 or 7 years. If the UK MRT is classified as a high earner, then 60% of total variable remuneration is deferred. • All awards are subject to malus and clawback provisions in accordance with the Code. <p>In terms of other special rewards (other forms of variable remuneration):</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. • Conditional performance payments are only awarded on an exceptional basis and limited to one year. • Conditional retention payments are awarded on an exceptional basis and where there is a legitimate interest which can be justified.

	All of the above are subject to the required deferral, retention period, malus and clawback as stated in the Code.
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