

# ANZ INVESTMENTS STEWARDSHIP UPDATE

1 JANUARY 2023 TO 30 JUNE 2023

## WHAT IS STEWARDSHIP?

Stewardship involves using our influence as investment managers with a view to shaping the behaviour of a number of companies we invest in. Working on behalf of investors, the aim is to encourage more sustainable business practices and improved corporate behaviour. We can do this in two ways:



### ENGAGEMENT

Engaging with the companies we invest in, which could include boards, executives and management.



### PROXY VOTING

Voting on company and shareholder resolutions on our investors' behalf.

Stewardship can be conducted by our in-house investment management team or external managers investing on our behalf.

## A STRONG FOUNDATION FOR STEWARDSHIP IN AOTEAROA

ANZ Investments is proud to support The Aotearoa New Zealand Stewardship Code and be a Founding Signatory. The Code provides a framework for achieving the three interconnected goals of effective stewardship:

- to create and preserve long-term value for current and future generations;
- to ensure the efficient management of capital whilst considering the best interests of clients and beneficiaries, and
- to contribute towards achieving sustainable outcomes for our environment, society, and economy.

There is strong alignment with ANZ Investments' existing practices and approach, given the importance we already place on stewardship as part of our responsible investment framework. The Code outlines nine principles and provides a solid foundation for good practice in responsible investment in New Zealand.



## ENGAGEMENT

We actively engage with a number of companies that we invest in on ESG and other issues. This improves our understanding of the risks and opportunities companies face, allowing us to factor this into our investment rationale, which will better inform long-term decision-making.

Examples of engagement include meetings with:

- The company board
- Senior management
- Other key stakeholders.

The benefits of engagement include:

- Input into company direction with a view to improve long-term performance
- Increasing our awareness of the environmental, social, and governance (ESG) issues companies may face
- Providing feedback and guidance on ESG initiatives a company may be undertaking.

You can find out more about our approach to engagement in the [ANZ Investments Responsible Investment Framework](#).

Across our internally and externally managed funds, portfolio managers and analysts conduct more than one hundred engagements every year across a range of ESG issues. These engagements can be grouped into themes where there are common trends and reasons for engaging with a company. This update contains just a few examples.



## CLIMATE CHANGE

Engagements relating to climate change could involve emissions, physical risk, transition risk, energy usage and renewable energy sources.

**Engagement in action:** One of our external international equity managers engaged with an online payroll services and human resource software solutions company to discuss whether the company intended to disclose Scope 3 greenhouse gas emissions. The company said that Scope 3 emissions reporting is in development and will be disclosed in either this year's Corporate Sustainability Report or next year's 10-K (financial performance report). Additionally, they suggested that reduction targets will be discussed once Scope 3 emissions are measured. Our external manager is comfortable with the timeframe of those actions. Our external manager doesn't view carbon emissions as a material risk for the company, but believes disclosing Scope 1-3 greenhouse gas emissions is best practice (regardless of industry), and it allows the manager to better understand the carbon footprint of their portfolios and monitor the company's net zero commitment.



## HUMAN RIGHTS

Engagements relating to human rights could involve labour rights, forced labour and modern slavery in a company's supply chain.

**Industry engagement:** In the second quarter, our external international property manager engaged with companies on how they are assessing modern slavery and forced labour risks in their supply chains. A particular focus was on procurement and monitoring suppliers, providing in house training on modern slavery and whether whistleblowing facilities are provided for suppliers and their employees. One of the investee companies with operations in Africa responded to the engagement outlining a program to regularly assess their suppliers to identify high risk areas of their supply chain, either due to company policies or weakness in local regulations. The company engages with their suppliers to mitigate these risks, triggering closer monitoring of suppliers with elevated risks.







## DIVERSITY, EQUITY AND INCLUSION

Engagements related to diversity, equity and inclusion could include addressing a lack of diversity at varying levels of a company, discouraging pay gaps, or ensuring more inclusive and supportive policies and practices regarding minorities, Indigenous cultures, and the LGBTQIA+ community.

**Engagement in action:** One of our external managers that invests in international equity engaged with a global software company around disclosure of the percentage of gender and racial/ethnic group representation for management, technical staff, and/or all other employees. Encouragingly, the company had extensive disclosures on its corporate diversity, equality, and inclusion (DEI) values and its supporting initiatives, such as employee resource groups. Our manager believe it is important for a company to disclose DEI metrics to ensure that the company's workforce reflects corporate values. The company advised the DEI metrics would be disclosed in the company's upcoming Environment Social Governance report (which they were when the report was published a couple of months later).



## CORPORATE GOVERNANCE

Engagements related to the operations of a company's board may include its independence, compensation, remuneration and conflicts of interest.

**Engagement in action:** Our investment team voted against a takeover bid for a church management software company in the first half of 2023.

The company announced that it had received unsolicited, non-binding, and conditional expressions of interest from third parties to acquire the company. After engaging with the Chair and management, our team believed the offer was opportunistic, and the independent advisor's valuation did not reflect the attractive growth potential of the company. The offer ultimately failed and was later revised upwards, resulting in a more favourable outcome for our investors.



## BIODIVERSITY

Engagements related to biodiversity could include natural capital, water stress and species abundance.

**Engagement in action:** Our external manager engaged with a multinational consumer goods corporation as the company has been accused of deforestation to produce its products. The company lacked efforts to implement policies to address commitments and to achieve deforestation-free supply chains. During the engagement, the external manager raised the issue that the company's products use virgin fibres (direct from trees) instead of recycled or non-virgin fibres (e.g. pulp or paper waste), causing loss to forests. Further, the company has not set any goal to reduce virgin fibres usage although it is looking into alternative fibres. The company needs to responsibly source the raw material at scale in future to eliminate the risk of deforestation in its supply chain.



## PROXY VOTING

Proxy voting is another way to influence decisions impacting the companies we invest in. Through our in-house and external managers based around the globe, we can vote on company matters in line with our investment beliefs and responsible investment framework.

Learn more about our approach to proxy voting in the [ANZ Investments Responsible Investment Framework](#).

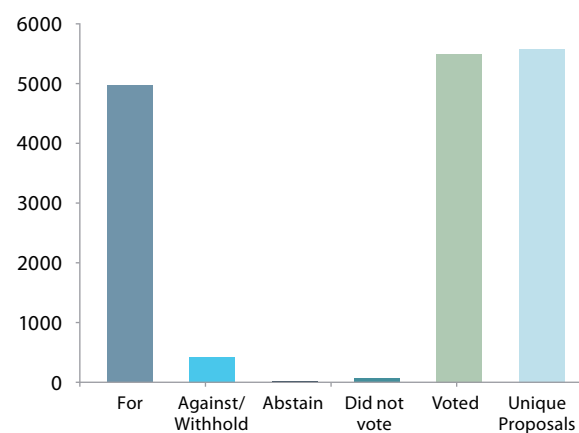
### PROXY VOTING ACTIVITY

1 January 2023 to 30 June 2023

#### Voting summary

Over the six-month period, across 5,581 unique proposals available to vote, we voted against management 432 times (7.7%).

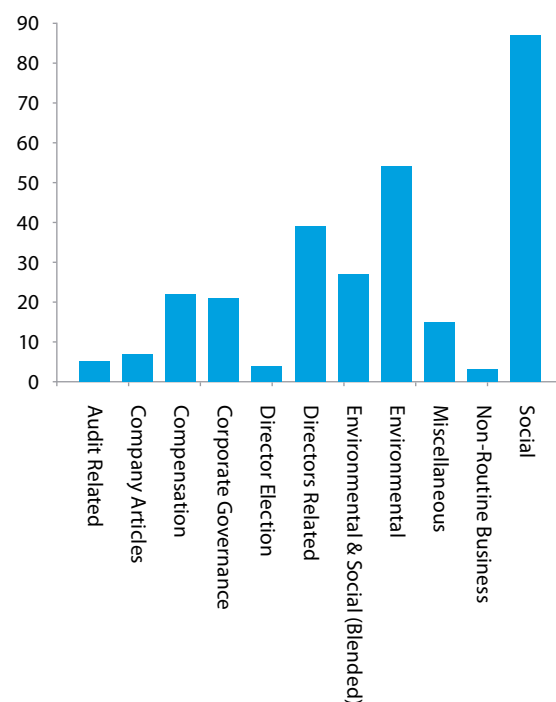
Voting Summary	No.
For	4,969
Against/Withhold	432
Abstain	28
Did not vote	82
Voted	5,500
Unique Proposals	5,581



#### Shareholder Proposals

Of the 284 shareholder proposals over the six-month period, 168 were related to environmental and social issues (59.2%).

Shareholder Proposals	No.	%
Audit Related	5	1.8%
Company Articles	7	2.5%
Compensation	22	7.7%
Corporate Governance	21	7.4%
Director Election	4	1.4%
Directors Related	39	13.7%
Environmental & Social (Blended)	27	9.5%
Environmental	54	19.0%
Miscellaneous	15	5.3%
Non-Routine Business	3	1.1%
Social	87	30.6%
<b>Total</b>	<b>284</b>	<b>100.0%</b>



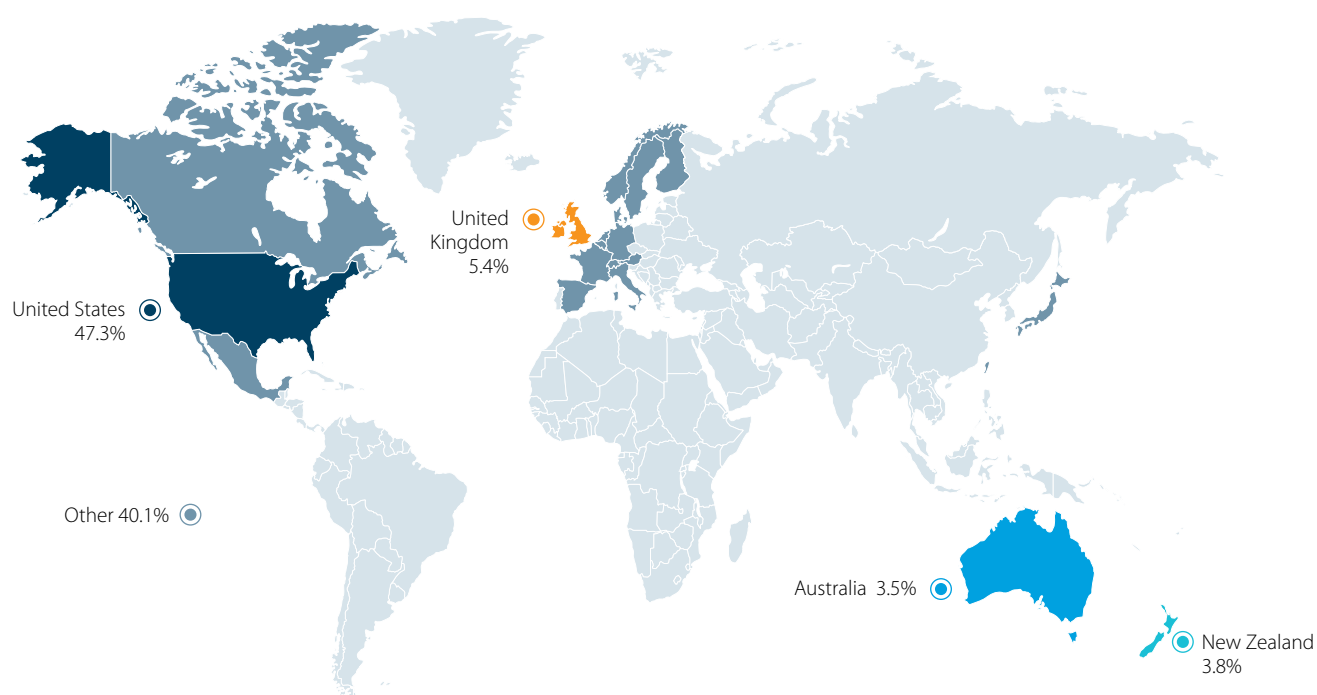


### Company meetings by country

Over the six-month period, most meetings were related to companies in the United States (47.3%).

Country	No.	%
Australia	13	3.5%
New Zealand	14	3.8%
United States	176	47.3%

Country	No.	%
United Kingdom	20	5.4%
Other	149	40.1%
<b>Total</b>	<b>372</b>	<b>100.0%</b>



## Voting by sector

Over the six-month period, most meetings were related to companies in the Financials sector (16.4%).

Sector	No.	%	Sector	No.	%
Real Estate	57	15.3%	Health Care	45	12.1%
Industrials	56	15.1%	Consumer Staples	18	4.8%
Information Technology	32	8.6%	Utilities	16	4.3%
Financials	61	16.4%	Communication Services	17	4.6%
Materials	23	6.2%	Energy	14	3.8%
Consumer Discretionary	33	8.9%	<b>Total</b>	<b>372</b>	<b>100.0%</b>



The percentages may not add exactly to 100% due to rounding.

You can [view the full proxy voting records](#) for the following investment funds and schemes:

- ANZ KiwiSaver Scheme • ANZ Investment Funds • OneAnswer KiwiSaver Scheme
- OneAnswer Multi-Asset-Class Funds • OneAnswer Single-Asset Class Funds • ANZ Default KiwiSaver Scheme.

## Disclaimer

ANZ New Zealand Investments Limited is the issuer and manager of the ANZ KiwiSaver Scheme and the ANZ Investment Funds. You can download a copy of the guide and product disclosure statement from our [documents and forms page](#) or ask at any [ANZ branch](#).

ANZ New Zealand Investments Limited is the issuer and manager of the OneAnswer KiwiSaver Scheme, the OneAnswer Multi-Asset-Class Funds and the OneAnswer Single-Asset-Class Funds. You can download a copy of the guide and product disclosure statement from the OneAnswer [documents and forms page](#).

ANZ New Zealand Investments Limited is the issuer and manager of the ANZ Default KiwiSaver Scheme. The scheme is no longer a default scheme and is closed to new members. Important information about the ANZ Default KiwiSaver Scheme is available at [anz.co.nz/kiwisaverforms](#) and by searching 'ANZ Default KiwiSaver Scheme' on the offer register at [disclose.register.companiesoffice.govt.nz](#).

This material is current as of the end of the six months covered and is subject to change. This material is for information purposes only. We recommend seeking financial advice about your situation and goals before getting a financial product.