



## ANZ INVESTMENTS STEWARDSHIP UPDATE

1 JULY 2023 TO 31 DECEMBER 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 managers engaged with a software design company regarding its decarbonisation efforts. The company set a goal in 2022 to reduce Scope 1+2 emissions by 15% by 2027. The company achieved this goal well ahead of schedule. Our external manager discussed other efforts that are in progress. A couple of highlights from the engagement include the expectation of the introduction of Scope 3 disclosures in early 2024, and the exploration of science-based reduction targets. The company has not made a net zero commitment, but our external manager believes a commitment is likely within the next year or two because the company has consistently improved its ESG practices over the past several years and reduced its Scope 1+2 emissions over the past four years at a pace that is consistent with a 2050 net zero pathway.



## HUMAN RIGHTS

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

**Engagement in action:** In response to a human rights complaint against a global energy company by indigenous communities and landowners, one of our external managers engaged with the company to clarify the nature of the claims, understand the company's engagement process, and assess the company's response to the matter. Our external manager pressed the company to investigate further and urged the company to communicate publicly with stakeholders. Analysis on the company valuation was also carried out to assess different scenarios regarding the human rights complaint.





## 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 engaged with a global corporate services firm to assess their human capital management (HCM) practices, including diversity and inclusion practices. Multiple offices in various cities and countries have received HCM related accolades over the past few years, but the company has limited HCM disclosures. By engaging with the company, the goal of our external manager was to gauge whether the company's HCM practices were consistently integrated throughout the organisation and not just specific to the offices that receive the accolades. Alongside information in the company's sustainability report, the engagement suggested that HCM practices were indeed integrated throughout the company. A couple of highlights included significant increases to the employee engagement score (up to 81% from 77%), and an increase in the survey response rate (up to 75% from 54%) from the previous year. Furthermore, 83% of associates stated that the company is a "great place to work". Investor relations representatives disclosed additional HCM practices such as employee resource groups and unconscious bias training, which were not mentioned in publicly available reports. While encouraging the company to improve its HCM disclosures, our external manager is comfortable with the company's internal efforts in this area.



## 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:** One of our external managers recently engaged with a North American media entertainment company regarding a series of governance topics, including succession planning. The discussion focused on the addition of two new members to the board, whose experience would contribute succession planning and global media skills. The board also plans to convene a special succession planning committee to draft the desirable skillsets for the next CEO and to evaluate potential candidates. The planned involvement of the current CEO remains critical to lend credibility to the work of the committee given his continued influence. Ultimately, our external manager found the additions to the board and the creation of the committee encouraging given prior shareholder concerns regarding the board skills matrix and previous poor execution on succession planning. The discussion additionally focused on board evaluation practices, including over-boarding (when one person sits on too many boards), and potential activist involvement. The company remains open to listening to shareholder viewpoints, and our external manager will continue to engage regarding these governance topics.



## BIODIVERSITY

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

**Engagement in action:** A U.S.-based retail company claims to prioritise sustainable agriculture and has a no-deforestation commitment for their brands. However, this commitment does not address cocoa as a commodity that has an impact on deforestation. One of our external managers engaged with the company to understand their prioritisation of palm, pulp/paper, soy, and beef. The company emphasised these four areas as having the most impact and that for other commodities, such as cocoa, they rely and work closely with their external partnerships. Our external manager expressed concerns over the lack of commitment to sourcing deforestation-free cocoa. The company was expected to publish an updated vendor code of conduct and a more detailed guide about expectations for suppliers. Additionally, the company's Responsible Sourcing Steering Committee was drafting a due diligence framework for suppliers. Our external manager is expected to review this work and continue to encourage the company to make a formal commitment, for example by requesting the Company adopt a time-bound KPI (key performance indicator) to commit to sourcing deforestation-free cocoa.



## 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](#).

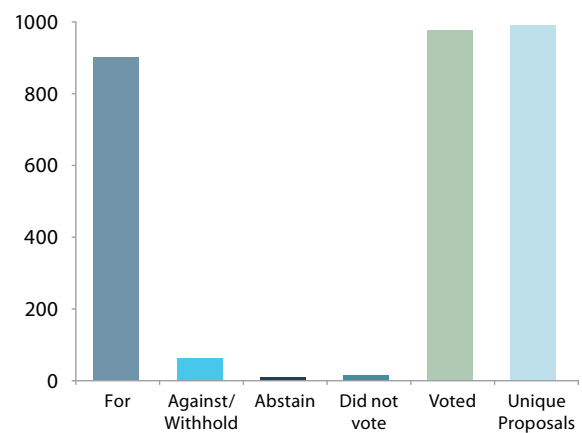
### PROXY VOTING ACTIVITY

1 July 2023 to 31 December 2023

#### Voting summary

Over the six-month period, across 991 unique proposals available to vote, we voted against management 64 times (6.5%).

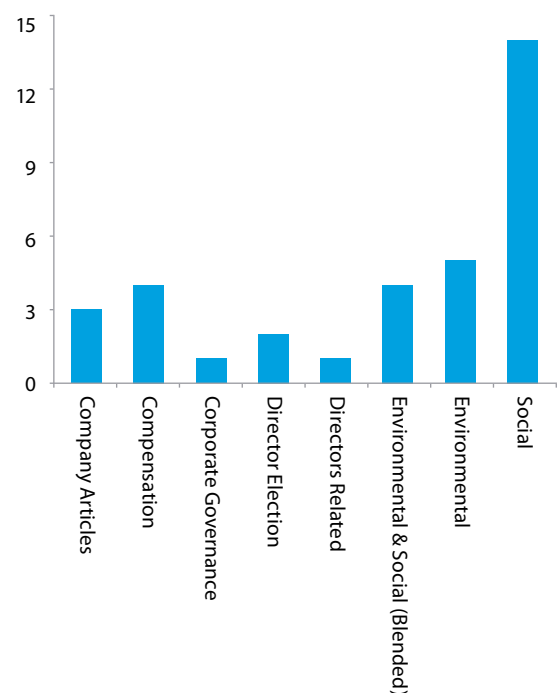
Voting Summary	Count
For	900
Against/Withhold	64
Abstain	11
Did not vote	15
Voted	976
Unique Proposals	991



#### Shareholder Proposals

Of the 34 shareholder proposals over the six-month period, 23 were related to environmental and social issues (67.6%), with remainder on governance issues (32.4%).

Shareholder Proposals	Count	%
Company Articles	3	8.8%
Compensation	4	11.8%
Corporate Governance	1	2.9%
Director Election	2	5.9%
Directors Related	1	2.9%
Environmental & Social (Blended)	4	11.8%
Environmental	5	14.7%
Social	14	41.2%
<b>Total</b>	<b>34</b>	<b>100.0%</b>



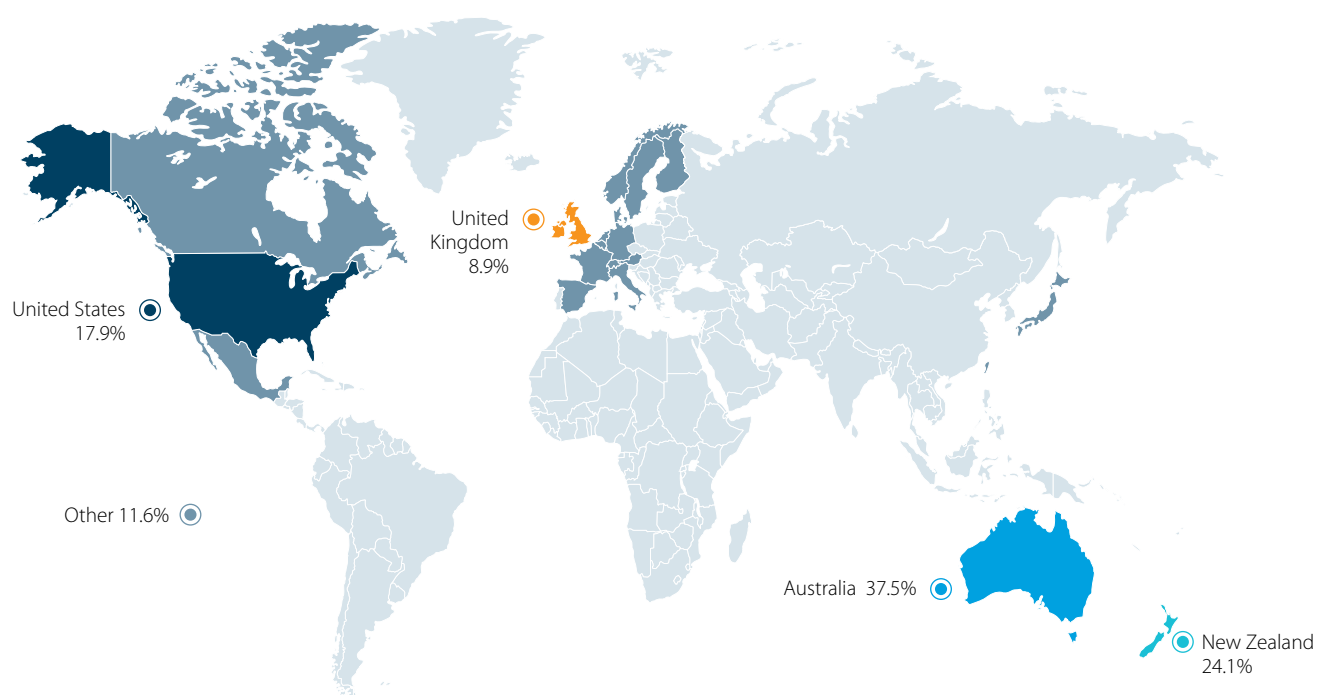


### Company meetings by country

Over the six-month period, most meetings were related to companies in Australia (37.5%)

Country	Count	%
Australia	42	37.5%
New Zealand	27	24.1%
United States	20	17.9%

Country	Count	%
United Kingdom	10	8.9%
Other	13	11.6%
<b>Total</b>	<b>112</b>	<b>100.0%</b>



## Voting by sector

Over the six-month period, most meetings were related to companies in the Real Estate sector (25%)

Sector	Count	%
Real Estate	28	25.0%
Industrials	18	16.1%
Financials	6	5.4%
Health Care	9	8.0%
Information Technology	7	6.3%
Consumer Discretionary	4	3.6%

Sector	Count	%
Materials	12	10.7%
Consumer Staples	11	9.8%
Utilities	8	7.1%
Communication Services	7	6.3%
Energy	2	1.8%
<b>Total</b>	<b>112</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](#).

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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.